

EXHIBIT B

1 IN THE UNITED STATES BANKRUPTCY COURT
2 FOR THE SOUTHERN DISTRICT OF NEW YORK
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In re:)
5) Chapter 11
LEHMAN BROTHERS) Case No. 08-13555(JMP)
6 HOLDINGS, INC., et al,) (Jointly Administered)
)
7 Debtors.)
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13 DEPOSITION OF PROF. PAUL PFLEIDERER
14 New York, New York
15 Tuesday, February 23, 2010
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22

23 Reported by:
24 MAYLEEN CINTRON, RMR, CRR
25 JOB NO. 28399

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<p>1 2 3 February 20, 2010 4 9:13 a.m. 5 6 7 DEPOSITION OF PROF. PAUL 8 PFLEIDERER, an expert witness, held at the 9 offices of Jones Day LLP, 222 East 41st 10 Street, New York, New York, pursuant to 11 Notice, before MayLeen Cintron, a Registered 12 Merit Reporter, Certified Realtime Reporter, 13 and Notary Public of the State of New York. 14 15 16 17 18 19 20 21 22 23 24 25 TSG Reporting - Worldwide 877-702-9580</p>	<p>1 A P P E A R A N C E S: 2 3 JONES DAY LLP 4 Attorneys for Debtors - Lehman Brothers, Inc. 5 222 East 41st Street 6 New York, New York 10017-6702 7 BY: JAYANT W. TAMBE, ESQ. 8 KELLY CARRERO, ESQ. 9 XOCHITL STROHBEHN, ESQ. 10 ROBERT W. GAFFEY, ESQ. [as noted] 11 12 13 BOIES, SCHILLER & FLEXNER LLP 14 Attorneys for Barclays 15 5301 Wisconsin Ave., N.W. 16 Washington D.C. 20015 17 BY: JONATHAN M. SHAW, ESQ. 18 19 20 QUINN, EMANUEL, URQUHART, 21 OLIVER & HEDGES LLP 22 Attorneys for the Creditors Committee 23 51 Madison Avenue - 22nd Floor 24 New York, New York 10010 25 BY: ROBERT K. DAKIS, ESQ. TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 A P P E A R A N C E S: (Cont'd) 2 3 HUGHES, HUBBARD & REED LLP 4 Attorneys for the SIPA Trustee 5 One Battery Park Plaza 6 New York, New York 10004-1482 7 BY: WILLIAM R. MAGUIRE, ESQ. 8 FARA TABATABAI, ESQ. [as noted] 9 10 11 ALSO PRESENT: 12 DR. MARC VELLRATH, Finance Scholars Group 13 RAJESH ANKALKOT, Alvarez & Marsal, Inc. 14 15 --- 16 17 18 19 20 21 22 23 24 25 TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer- 2 P A U L P F L E I D E R, 3 called as a witness, having been duly 4 sworn by a Notary Public, was examined 5 and testified as follows: 6 THE REPORTER: Please state your 7 full name for the record. 8 THE WITNESS: Paul Pfleiderer. 9 EXAMINATION BY 10 MR. TAMBE: 11 Q. Good morning, Professor Pfleiderer. 12 My name is Jayant Tambe. I'm one of the 13 lawyers for Lehman Brothers Holdings, Inc., 14 the Debtor in this matter. 15 I'm going to allow also the other 16 counsel to introduce themselves. But with me 17 from Jones Day are Kelly Carrero and Xochitl 18 Strohbehn. 19 MR. DAKIS: Robert Dakis from Quinn 20 Emanuel Urquhart Oliver & Hedges, for 21 the Official Committee of Unsecured 22 Creditors. 23 MR. ANKALKOTI: Rajesh Ankalkoti 24 with Alvarez & Marsal for Lehman 25 Brothers. TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 MR. TAMBE: We have received word</p> <p>3 from Trustee's counsel that he will be</p> <p>4 here shortly but we are to start</p> <p>5 without him.</p> <p>6 (Exhibit 633-A, Expert report of</p> <p>7 Professor Paul Pfleiderer - Volume I,</p> <p>8 marked for identification, as of this</p> <p>9 date.)</p> <p>10 (Whereupon, a recess was taken</p> <p>11 from 9:24 a.m. to 9:27 a.m.)</p> <p>12 BY MR. TAMBE:</p> <p>13 Q. Good morning, Professor Pfleiderer.</p> <p>14 I'm handing you what has been marked as</p> <p>15 deposition Exhibit 633-A. Can you confirm</p> <p>16 that that is Volume I of the expert report you</p> <p>17 have submitted in this matter on or about</p> <p>18 January 8, 2010?</p> <p>19 A. With the qualification that some of</p> <p>20 the pages have been replaced here.</p> <p>21 Q. And you're referring to some of the</p> <p>22 schedules, the spreadsheets to which the back</p> <p>23 of Volume I off Exhibit 633-A; is that right?</p> <p>24 A. Yes. For example, page 129, the</p> <p>25 date headings on the columns in that page are</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 not correct and were replaced.</p> <p>3 (Exhibit 634-A, Expert report of</p> <p>4 Professor Paul Pfleiderer - Vol II,</p> <p>5 marked for identification, as of this</p> <p>6 date.)</p> <p>7 Q. I'm also handing you what has been</p> <p>8 marked as deposition Exhibit 634-A. Can you</p> <p>9 confirm that that's Volume II of your expert</p> <p>10 report?</p> <p>11 A. I believe it is, yes.</p> <p>12 Q. We will keep those handy because we</p> <p>13 will be referring to those frequently</p> <p>14 throughout the day.</p> <p>15 (Exhibit 635-A, 2/22/10 letter to</p> <p>16 Jones Day from Boies Schiller with</p> <p>17 attachment, marked for identification,</p> <p>18 as of this date.)</p> <p>19 (Exhibit 636-A, 2/22/10 e-mail to</p> <p>20 K. Carrero from Davenport with</p> <p>21 attachments, marked for identification,</p> <p>22 as of this date.)</p> <p>23 (Exhibit 637-A, 2/10/10 e-mail to</p> <p>24 K. Carrero, marked for identification,</p> <p>25 as of this date.)</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 Q. The next document I'm handing you</p> <p>3 has been marked as Exhibit 636-A. Is that a</p> <p>4 document you've seen before today?</p> <p>5 A. I did not see the cover page, but</p> <p>6 the contents that contain the list of errata,</p> <p>7 I did see.</p> <p>8 MR. SHAW: I would like to</p> <p>9 interject a point of clarification.</p> <p>10 Although the document is entitled "as</p> <p>11 of February 18th" and seems it's</p> <p>12 carried through, these are actually</p> <p>13 materials provided as of yesterday.</p> <p>14 MR. TAMBE: As of February 22nd.</p> <p>15 MR. SHAW: Correct.</p> <p>16 Q. Turning to the attachments to the</p> <p>17 cover e-mail, Professor Pfleiderer. The first</p> <p>18 attachment is titled "Expert Report Professor</p> <p>19 Paul Pfleiderer, January 2010 errata." Do you</p> <p>20 see that?</p> <p>21 A. I do, yes.</p> <p>22 Q. Is that an errata sheet that you</p> <p>23 prepared, sir?</p> <p>24 A. It was prepared by staff working</p> <p>25 under my direction who had gone along with me</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 through the report and found some parts that</p> <p>3 had to be corrected.</p> <p>4 Q. When is it that you went through</p> <p>5 the report with your staff to make these</p> <p>6 changes?</p> <p>7 A. That would have been an ongoing</p> <p>8 process that probably commenced as soon as the</p> <p>9 report was filed. I was reading the report at</p> <p>10 various times, and so were staff working at my</p> <p>11 direction. And on occasion an error was</p> <p>12 discovered, and I believe a list was assembled</p> <p>13 over time as those errors were discovered.</p> <p>14 And what you see is the sum total of that list</p> <p>15 as it exists now.</p> <p>16 Q. When is the last error that's noted</p> <p>17 in this errata sheet recorded, sir?</p> <p>18 (Witness reviewing document.)</p> <p>19 A. I'm not sure I understand the</p> <p>20 question.</p> <p>21 Q. Well, were you finding errors in</p> <p>22 your original report as of yesterday? Did you</p> <p>23 find any yesterday?</p> <p>24 A. No, I did not.</p> <p>25 Q. When was the last day that you or</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 your staff found an error in your report</p> <p>3 that's been listed here in your errata sheet?</p> <p>4 (Witness reviewing document.)</p> <p>5 A. I'm having trouble answering the</p> <p>6 question because there were a few errors that</p> <p>7 I had found but staff had already found and</p> <p>8 corrected. The last error that I found was</p> <p>9 one that I think staff had found before, and</p> <p>10 that was probably about a week ago. But they</p> <p>11 had found it, I think, perhaps several weeks</p> <p>12 ago. So I'm not sure that I can answer your</p> <p>13 question in terms of definitively saying when</p> <p>14 was the last day in which an error was</p> <p>15 discovered.</p> <p>16 Q. Were you involved in the decision</p> <p>17 as to when those errors would be reported to</p> <p>18 counsel in this matter?</p> <p>19 A. I was involved to the extent that I</p> <p>20 knew that there was an errata sheet that was</p> <p>21 being prepared, and that would be submitted,</p> <p>22 but I wasn't involved in the precise timing of</p> <p>23 that.</p> <p>24 Q. Who made that decision as to when</p> <p>25 the errata sheet would be turned over?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 MR. SHAW: Objection. Foundation.</p> <p>3 If you know, you can answer.</p> <p>4 A. I don't know.</p> <p>5 Q. Once the errata sheet was prepared,</p> <p>6 sir, did you sit down with the errata sheet</p> <p>7 and the report and make sure that the</p> <p>8 corrections that were listed in the errata</p> <p>9 sheet are consistent with your understanding</p> <p>10 of the errors that need to be corrected in</p> <p>11 your report?</p> <p>12 A. As I suggested before, this was an</p> <p>13 evolving document and as the errors were</p> <p>14 assembled, I understood where the errors were</p> <p>15 and what they were correcting. So I think the</p> <p>16 answer is yes, in the course of the</p> <p>17 preparation of this, I was looking at the</p> <p>18 various errors understanding why there were</p> <p>19 errors and understanding the nature of the</p> <p>20 correction.</p> <p>21 But I don't think there was a</p> <p>22 moment in time when I went through it all at</p> <p>23 once. Although I did look at it, I believe it</p> <p>24 was yesterday or the day before to confirm the</p> <p>25 nature of the errors and what was -- what was</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 contained.</p> <p>3 Q. And you satisfied yourself that</p> <p>4 there are no errors in your errata sheet?</p> <p>5 A. As I sit here now, I'm not aware of</p> <p>6 any errors in the errata sheet.</p> <p>7 Q. In the review you conducted, you</p> <p>8 said, yesterday or in the last few days when</p> <p>9 you went over the errata sheet, was to confirm</p> <p>10 that weren't any errors in your errata sheet,</p> <p>11 correct?</p> <p>12 A. As I said, the review was to</p> <p>13 determine that things that had been discovered</p> <p>14 in my report that was viewed as errors, were</p> <p>15 corrected. I can't categorically state that</p> <p>16 there are no errors in the errata sheet, but</p> <p>17 I'm certainly not aware of any.</p> <p>18 Q. The next attachment, again, within</p> <p>19 Exhibit 636-A is titled, the case name, "List</p> <p>20 of documents sent to Paul Pfleiderer after</p> <p>21 filing of expert report," and it states there,</p> <p>22 "As of February 18, 2010." But I believe</p> <p>23 counsel said that should read as of</p> <p>24 February 22, 2010. Do you see that?</p> <p>25 A. I do.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Q. And have you reviewed this list of</p> <p>3 documents before this morning?</p> <p>4 (Witness reviewing document.)</p> <p>5 (Mr. McGuire entering the room.)</p> <p>6 A. I received the things appearing on</p> <p>7 this list in various tranches, shall we say,</p> <p>8 and...</p> <p>9 MR. SHAW: I think he's just asking</p> <p>10 if you reviewed the actual list.</p> <p>11 Q. That was my question. We can get</p> <p>12 to the next question.</p> <p>13 You have reviewed the list before</p> <p>14 today?</p> <p>15 A. This list here?</p> <p>16 Q. Yes.</p> <p>17 A. Yes.</p> <p>18 Q. And you were explaining that the</p> <p>19 materials listed in this list, which is the</p> <p>20 second attachment to the cover e-mail in 636-A</p> <p>21 are materials that you received in various</p> <p>22 tranches on or after the date of your report,</p> <p>23 correct?</p> <p>24 A. I believe that is correct, yes.</p> <p>25 Q. It is numbered pages 1 through 15.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 Do you see that?</p> <p>3 A. I do.</p> <p>4 Q. Starting at the bottom of page 1</p> <p>5 over to the top of page 15, do you recognize</p> <p>6 those materials submitted by Barclays as part</p> <p>7 of its opposition brief that was filed towards</p> <p>8 the end of January?</p> <p>9 A. Yes, I do.</p> <p>10 Q. You would have received a set of</p> <p>11 those materials when Barclays filed them; is</p> <p>12 that correct?</p> <p>13 A. Within days after it was filed, I</p> <p>14 believe. I'm not quite sure what the precise</p> <p>15 timing was.</p> <p>16 Q. I want to draw your attention to</p> <p>17 the last page of the exhibit. It is page 15</p> <p>18 of the attachment. The category titled</p> <p>19 "Additional Materials." Do you see that?</p> <p>20 A. Yes, I do.</p> <p>21 Q. What you have in a list under</p> <p>22 Additional Materials are a series of Bates</p> <p>23 numbers which all begin with "BCI-EX," do you</p> <p>24 see that?</p> <p>25 A. I do.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Q. And you recognize that as a Bates</p> <p>3 labeling that's used by Barclays for documents</p> <p>4 produced by Barclays, correct?</p> <p>5 A. I do.</p> <p>6 Q. And is it fair to say that none of</p> <p>7 these documents that are listed as "Additional</p> <p>8 Materials" were available to you when you</p> <p>9 prepared your report?</p> <p>10 A. I believe that's correct.</p> <p>11 Q. When did you receive these</p> <p>12 documents?</p> <p>13 MR. SHAW: When did he personally</p> <p>14 receive them or when did staff, working</p> <p>15 at his direction, receive them?</p> <p>16 MR. TAMBE: When did he personally</p> <p>17 receive these documents.</p> <p>18 A. I would have to go back and check,</p> <p>19 to the extent I could, with my records. Some</p> <p>20 of these, I believe were e-mailed to me but</p> <p>21 quite a few of them, I believe, were put on my</p> <p>22 computer with a flash memory device that I</p> <p>23 received from staff who had received them.</p> <p>24 So I'm not sure exactly how to</p> <p>25 answer the question because I'm not sure when</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 the -- when the various things were received</p> <p>3 and transferred to my computer.</p> <p>4 Q. Now, have you, in fact, reviewed</p> <p>5 every one of these items that were provided to</p> <p>6 you after your report was filed?</p> <p>7 A. Staff working at my direction has</p> <p>8 reviewed these, and I've reviewed several of</p> <p>9 these. My problem is some of these are</p> <p>10 spreadsheet names that I may not recognize by</p> <p>11 the name, but if we were to open the</p> <p>12 spreadsheet, I would see -- I've seen that</p> <p>13 spreadsheet before.</p> <p>14 So my difficulty in answering your</p> <p>15 question is the spreadsheet names were not</p> <p>16 what I kept in mind when I was looking at</p> <p>17 things. I was more aware of the content and</p> <p>18 the way the spreadsheet was structured.</p> <p>19 Q. Were any of the opinions that you</p> <p>20 expressed in your expert report affected in</p> <p>21 any way by the materials that you reviewed,</p> <p>22 these materials, the additional materials?</p> <p>23 A. No, not at all. Although, I should</p> <p>24 say what I saw here has actually strengthened</p> <p>25 my opinions. So in that sense it's affected</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 them. But it didn't cause me to change issue</p> <p>3 -- change my opinions in any substantive way.</p> <p>4 Q. Handing you a document that's been</p> <p>5 marked Exhibit 635-A. Have you seen that</p> <p>6 document before today?</p> <p>7 (Witness reviewing document.)</p> <p>8 A. I'm not sure how to answer your</p> <p>9 question. I can go through it page-by-page</p> <p>10 and say that I don't believe I've seen the</p> <p>11 cover page, and I don't believe I've seen the</p> <p>12 next page. I have seen the third page or</p> <p>13 something very similar to it.</p> <p>14 One of the difficulties I'm going</p> <p>15 to have in answering questions of this sort is</p> <p>16 that I've looked through a large number of</p> <p>17 spreadsheets that often times contain</p> <p>18 information that's in other spreadsheets that</p> <p>19 is either the exact same information or</p> <p>20 similar information.</p> <p>21 So when I look at any one of these</p> <p>22 pages, I've either seen this page exactly as</p> <p>23 it's presented on the paper, or I've seen</p> <p>24 something very similar. So the third page I</p> <p>25 believe I've seen. When we get to the next</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 page, this looks to be either something that I</p> <p>3 have seen or something very, very similar to</p> <p>4 things that I've looked at over the course of</p> <p>5 evaluating the various materials that have</p> <p>6 been presented to me.</p> <p>7 The problem here is that this is a</p> <p>8 printout, I believe, from a spreadsheet. And</p> <p>9 I never look at printouts from spreadsheets.</p> <p>10 I actually look at the printouts -- or I</p> <p>11 should say the spreadsheet in native form, in</p> <p>12 the electronic form.</p> <p>13 So seeing it as a printout, I'm</p> <p>14 unable to verify that that's exactly the same</p> <p>15 as the electronic form. So if I page through</p> <p>16 it, this would appear to be a printout from</p> <p>17 one spreadsheet. Unfortunately these pages</p> <p>18 aren't numbered, so I'm not sure when one</p> <p>19 spreadsheet ends and another one begins.</p> <p>20 Q. Just so you know, we prepared this</p> <p>21 exhibit based on a document we received late</p> <p>22 yesterday from counsel from Barclays and I</p> <p>23 printed out the spreadsheet that was attached,</p> <p>24 provided with a disc and included with that</p> <p>25 letter. So the document is what it is.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Do you understand the information</p> <p>3 that's contained on any of these pages, sir?</p> <p>4 MR. SHAW: Well, I think his point</p> <p>5 is the document is not what it is.</p> <p>6 Because as he said, he looked at these</p> <p>7 in electronic format where there is</p> <p>8 different formatting, different</p> <p>9 information. He certainly can try to</p> <p>10 answer questions, but he's testified he</p> <p>11 has not looked at printouts.</p> <p>12 Q. Looking at the fourth page of this</p> <p>13 exhibit, Exhibit 635-A, can you tell by</p> <p>14 looking at that page what type of information</p> <p>15 is being conveyed on that page?</p> <p>16 (Witness reviewing document.)</p> <p>17 A. Again, I am going to say that</p> <p>18 there's a lot of information that I can read</p> <p>19 from this, but I'm going to be very careful</p> <p>20 because the way one goes through an electronic</p> <p>21 spreadsheet often is to not only look at the</p> <p>22 numbers, but to look at the cell references</p> <p>23 and see what they refer to and the</p> <p>24 calculations behind them.</p> <p>25 So what you don't see in the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
Page 20	Page 21
<p>1 - P. Pfleiderer-</p> <p>2 printouts here are the formulas behind them.</p> <p>3 But I can go through this and, to the best of</p> <p>4 my ability, give you answers as to what a lot</p> <p>5 of these numbers and symbols refer to, but</p> <p>6 with the caveat that I'm not able to do that</p> <p>7 completely because it is not in electronic</p> <p>8 form.</p> <p>9 So looking at the first column, the</p> <p>10 inventory there was received, was divided to</p> <p>11 various categories and there were two</p> <p>12 grouping, PMTG, Principal Mortgage Trading</p> <p>13 Group, and Principal Mortgage Trading Group</p> <p>14 II. The Principal Mortgage Trading Group</p> <p>15 taken alone, not with the "II," contained a</p> <p>16 fairly large inventory of security. And the</p> <p>17 one with the II contained a somewhat smaller</p> <p>18 set.</p> <p>19 The next columns you see are the</p> <p>20 CUSIPs. And those, as I'm sure you well know,</p> <p>21 are numerical codes that identify individual</p> <p>22 securities.</p> <p>23 Then we have "loss coverage ratio"</p> <p>24 which, for various fixed income securities, is</p> <p>25 going to relate to aspects of the security.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 There's a model price here, and to</p> <p>3 know exactly how that's being used and feeds</p> <p>4 into other calculations, I would have to have</p> <p>5 the electronic spreadsheet to determine what</p> <p>6 that is used for and how it might affect</p> <p>7 other -- other numbers.</p> <p>8 There is a common heading, BoNY,</p> <p>9 that's Bank of New York, and this was a price</p> <p>10 that was given to this particular security</p> <p>11 called a mark that was given by Bank of New</p> <p>12 York on the 19th of September 2008 as the</p> <p>13 inventory was received.</p> <p>14 The next column, and I want to be</p> <p>15 very careful here because, again, it is very</p> <p>16 important to look yet how these numbers are</p> <p>17 used. It is headed "final PCG," price control</p> <p>18 group price. What I discovered is that often</p> <p>19 times, this is repeated, so the actual number</p> <p>20 that's used for calculations that come</p> <p>21 subsequently in this spreadsheet, to know</p> <p>22 where it comes from, you have to actually look</p> <p>23 at the underlying formula.</p> <p>24 But oftentimes, a column with that</p> <p>25 heading was given the price control group</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 22</p> <p>1 - P. Pfleiderer-</p> <p>2 price that would be used to -- to basically</p> <p>3 get the midpoint mark for -- for the</p> <p>4 assessment for the value of the acquisition</p> <p>5 balance sheet.</p> <p>6 Then there would be a "comment"</p> <p>7 column that would show where that price came</p> <p>8 from and whether it was based upon a model</p> <p>9 or, in some of these cases, it appears --</p> <p>10 again I have to look at this carefully, that</p> <p>11 it's relating back to the Bank of New York</p> <p>12 mark.</p> <p>13 Then we have a column which is</p> <p>14 called "factor," and this refers to fixed</p> <p>15 income securities generically where some of</p> <p>16 the principal has been paid down. And so</p> <p>17 since the pricing is based upon a par amount,</p> <p>18 when the principal has been paid down, you</p> <p>19 have to reduce it accordingly for that</p> <p>20 paydown.</p> <p>21 The top one, you see that the</p> <p>22 factor is one, meaning that the par value is</p> <p>23 going to be multiplied by one to reflect that</p> <p>24 there's really been no paydown on that</p> <p>25 security. But if you go down to row four,</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 23</p> <p>1 - P. Pfleiderer-</p> <p>2 you'll see that the factor is 0.94 and that</p> <p>3 would mean that the par value has to be</p> <p>4 multiplied by 0.94 to reflect the fact that</p> <p>5 about six percent of the value has been paid</p> <p>6 down.</p> <p>7 The next column is labeled "price</p> <p>8 difference." I couldn't tell you what that is</p> <p>9 without having this in electronic form to be</p> <p>10 able to see exactly what was calculated there.</p> <p>11 But on this particular printout, it would</p> <p>12 appear that that column wasn't used.</p> <p>13 The next column, as you can see,</p> <p>14 doesn't have a heading. Oh, I'm sorry. This</p> <p>15 may be the -- it is a wider column. This is</p> <p>16 why, again, you need it in electronic form. I</p> <p>17 thought there were two columns there. If you</p> <p>18 have it in electronic form, you can easily see</p> <p>19 that there is just one column there.</p> <p>20 So to clarify, it would appear from</p> <p>21 this spreadsheet printout that that space</p> <p>22 there is all labeled by the column headed</p> <p>23 "price difference," and I couldn't tell you</p> <p>24 what that price difference is referring to</p> <p>25 without having the electronic version to see</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 24</p> <p>1 - P. Pfleiderer-</p> <p>2 what the formula was.</p> <p>3 Then we have a column that's</p> <p>4 labeled "adjusted nominal", and what that</p> <p>5 would be in all likelihood -- and again, I'd</p> <p>6 want to see if that corresponds -- actually,</p> <p>7 it is going to be perhaps difficult here.</p> <p>8 Because I'm not sure the whole thing is</p> <p>9 printed out. This is another potential</p> <p>10 difficulty in looking at it as a printout.</p> <p>11 So I wouldn't be able to tell</p> <p>12 exactly what that -- or even speculate what</p> <p>13 that refers to until I see the actual</p> <p>14 electronic version and see the formula that's</p> <p>15 used there.</p> <p>16 Now, it appears that the next pages</p> <p>17 are just additional rows under those column</p> <p>18 headings, and that seems to go on for some --</p> <p>19 some pages.</p> <p>20 And so I think if you go, I'm going</p> <p>21 to guess, probably to page 15 or so, where</p> <p>22 you'll be moving across the spreadsheet to new</p> <p>23 columns, then you have a heading that says</p> <p>24 "difference", again, I couldn't tell you what</p> <p>25 that difference is without having it in</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 25</p> <p>1 - P. Pfleiderer-</p> <p>2 electronic form. It seems to repeat the</p> <p>3 "desk," and then again "Principal Mortgage</p> <p>4 Trading Group" for the first row.</p> <p>5 And then we have a type of</p> <p>6 security. And this type is used -- and I have</p> <p>7 to make sure in this particular case that this</p> <p>8 was the actual column that was being used.</p> <p>9 This type is used to determine what liquidity</p> <p>10 or haircut is given to convert the mid-point</p> <p>11 price to an exit price. This may be the</p> <p>12 column that is used to classify. But again,</p> <p>13 you can't tell unless you have the version of</p> <p>14 the spreadsheet in its electronic form to see</p> <p>15 what the actual formula that's being used.</p> <p>16 Then --</p> <p>17 Q. I'm sorry. Can I just stop you on</p> <p>18 that one for a second?</p> <p>19 A. Yes.</p> <p>20 Q. I'm trying to understand when you</p> <p>21 say the liquidity or haircut discount is used,</p> <p>22 used by whom and how?</p> <p>23 A. We may get to it if we go further</p> <p>24 into the document here. Let me just --</p> <p>25 MR. SHAW: Switch documents.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-

2 A. This spreadsheet may not have it
3 then.

4 **Q. What is your general understanding**
5 **of how the type was used or connected to a**
6 **liquidity discount or haircut?**

7 A. First of all, I want to be very
8 careful here. I pointed to a column and
9 pointed to a listing of types. I don't know
10 whether this particular column refers to the
11 types that were used in any spreadsheet to
12 determine the haircut.

13 **Q. But on other spreadsheets you've**
14 **seen, you've seen the type of security, the**
15 **label is one of the drivers of what liquidity**
16 **discount or haircut was used by Barclays; is**
17 **that correct?**

18 A. That is correct.

19 **Q. Am I to understand then that that**
20 **same liquidity discount or haircut is used for**
21 **all securities of this type?**

22 A. Well, we have to be very careful
23 here because in some of the types, the
24 corporates, for example, the -- let me explain
25 the process that was done with the corporate

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1 - P. Pfleiderer-

2 securities. Because to answer your
3 question -- first of all, the answer to your
4 question is no.

5 It was not the case that the
6 haircut was uniformly applied to securities
7 based upon type. And one example where that's
8 not true are the corporate securities, ones
9 that are labeled "corporate".

10 What Barclays did as a general
11 practice was they got quotations from various
12 vendors and other sources on corporate
13 securities, basically bids that were given
14 across a number of vendors. And generally, I
15 think there may have been some exceptions to
16 this and I'd have to go back and look at the
17 spreadsheets to, perhaps, find some of those,
18 but generally speaking, what they did is they
19 took the minimum of those and applied that as
20 the exit price.

21 So what you would do -- if we had
22 the electronic spreadsheet here, I could show
23 you. What in that case happens is it refers
24 to the corporate type liquidity discount, but
25 you'll see that that's a one. And what that

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1 - P. Pfleiderer-

2 reflects is that no liquidity discount is
3 being taken off of that on the spreadsheets
4 that are related to liquidity discounts.
5 Rather what is done is keying off of the
6 minimum of the various quotations that were
7 obtained.

8 So what that means, of course, is
9 that within the class of corporate securities,
10 it is not the case that a uniform treatment is
11 being applied in terms of a percentage
12 reduction because it's based upon actual
13 quotations that are coming from the market.

14 **Q. And for other asset type classes,**
15 **putting aside the corporate securities, were**
16 **there any asset classes for which a uniform**
17 **discount was used across all CUSIPs within**
18 **that asset class?**

19 A. I have to be very careful in
20 answering that question because there were
21 other asset classes where there was a discount
22 that was applied perhaps generally, but I'm
23 not going to say -- actually, could you read
24 his question back for me, please, just to make
25 sure I'm answering it appropriately?

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1 - P. Pfleiderer-

2 (Record read as follows:

3 "Question: And for other asset type
4 classes, putting aside the corporate
5 securities, were there any asset
6 classes for which a uniform discount
7 was used across all CUSIPs within that
8 asset class?")

9 A. In answering your question, I'm
10 mindful that you said "all CUSIPs" within that
11 class. And there were asset classes where it
12 was generally the case that a haircut,
13 liquidity haircut is what I believed they
14 called it at time, was applied generally
15 across CUSIPs.

16 But there were exceptions to that.
17 So I would have to go back and look to see if
18 there were any asset classes for which all of
19 the CUSIPs within that class -- and that would
20 include the initial inventory and the
21 J.P. Morgan inventory. It was uniform across
22 all of those because there were some
23 exceptions.

24 **Q. We had stopped on "type." Carrying**
25 **on to the next label.**

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1 - P. Pfleiderer-

2 A. So the next column heading is,
3 again, Bank of New York, "BoNY," nominal as of
4 the 19th of September 2008. And my difficulty
5 here, again, is not having it in electronic
6 version so that I can refer to some previous
7 columns here.

8 So I believe that this would be the
9 par value that may have occurred in another
10 column, but I would need to check that. But I
11 believe it is the par value that Bank of New
12 York was assessing at the time these
13 securities were being marked by the Bank of
14 New York on the 19th of September.

15 But I would have to have the
16 electronic version in front of me to verify
17 that. If you give me the time, I may be able
18 to go back and look at the previous columns to
19 see if it corresponds. Do you want me to do
20 that?

21 **Q. I don't think you need to do that.**
22 **Let's just finish off these two, these**
23 **remaining columns on this page.**

24 A. So then we have a column that's
25 headed "the market value of the Bank of New
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1 - P. Pfleiderer-

2 York mark," which if I had the electronic
3 version here, I would be able to verify this.
4 In many columns it would be arrived at by
5 multiplying the nominal value times the Bank
6 of New York price, usually divided by a
7 hundred because the price is expressed as
8 price per \$100.

9 But I don't want to say at this
10 point that that's what the numbers in this
11 particular column on this printout of the
12 spreadsheet reflect. Because without the
13 formula, I can't verify that that's the case.

14 And then in the next column, I'm
15 going to give the same caveat, I can't say
16 definitively what this is because I don't have
17 the electronic version and I can't see the
18 formula.

19 But the next column is headed
20 "Pricing Control Group Market Value," and what
21 that would refer to is the mark that Barclays
22 is putting on it, assuming that this column is
23 headed appropriately. And I'm going off the
24 column heading without being able to look at
25 the formulas here from the electronic version.

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1 - P. Pfleiderer-

2 And that, if it is calculated as
3 the market value for the pricing control
4 group, it's calculated in the electronic
5 versions of the spreadsheet that I've seen
6 calculated would be based, again, on the
7 nominal value which would be the par value
8 times the factor times the pricing control
9 group price, divided by 100.

10 But again, I have to be careful
11 here. Insert, again, the caveat, since I
12 don't have the electronic versions, I can't
13 say these particular numbers refer to that
14 without knowing the formula and without being
15 able to verify it from what's going on in some
16 previous columns.

17 **Q. The last column is a column**
18 **entitled "Comments"; do you see that?**

19 A. I do.

20 **Q. At least on the page we are looking**
21 **at, the word "Intex" appears a few times in**
22 **that column. Do you see that?**

23 A. I do.

24 **Q. And you recognize that as a pricing**
25 **service that was used by Barclays to price**

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1 - P. Pfleiderer-
2 **certain security, sir?**

3 A. That would be my understanding of
4 what that would be referring to in this
5 particular case, yes.

6 **Q. Have you ever used Intex to price**
7 **securities?**

8 A. I personally haven't used it
9 directly. It may very well be that some
10 people at my firm have used it. I know that
11 they used various pricing services in some of
12 the consulting work that is done at my firm,
13 Quantum International. I have not been
14 directly involved in that, but I believe that
15 we have on occasion used outside vendors such
16 as Intex.

17 **Q. And you believe Barclays's use of**
18 **Intex, where it did use Intex for pricing, was**
19 **appropriate?**

20 A. What I have seen is that throughout
21 the spreadsheet that I've looked at, that
22 they've gone and gotten pricing from various
23 sources and have used those in appropriate
24 way, yes.

25 **Q. And you, generally, philosophically**

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1 - P. Pfleiderer-
2 don't have a view about any problems of using
3 Intex as a source for pricing, do you, sir?

4 A. I'm not sure what you mean by
5 "philosophically."

6 Q. Is there a problem of using Intex
7 for pricing as opposed to using some other
8 service for pricing?

9 MR. SHAW: Objection to form.

10 A. Without knowing a particular
11 context and understanding exactly what the
12 situation is, I can't answer a philosophical
13 question like that.

14 Q. Generally, do you have any concerns
15 about the approach taken by Intex in pricing
16 securities?

17 A. Again, I'm not -- I'm not sure I
18 know how to answer the question. In the -- in
19 this particular context or --

20 Q. Generally. You said your firm may
21 have used Intex on certain assignments. What
22 do you mean about Intex?

23 A. Well, I know that they provide data
24 that gives a lot of information about various
25 fixed income securities and structures, so

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1 - P. Pfleiderer-
2 having not personally worked with it, but I
3 believe that my firm has used it on occasion,
4 I haven't encountered any personal problems
5 with it. So if that's your question.

6 Q. That was part of my question, yes.

7 A. The answer is no, I have not and no
8 one in my firm has indicated that there is a
9 particular problem that they've encountered.

10 Q. Is it fair to say that if it was
11 not a reliable source of information, your
12 firm wouldn't use it?

13 A. I would say that given the types of
14 projects that I know we have been involved
15 with, we would want to use reliable
16 information, yes.

17 Q. Other than Intex, are there any
18 other sort of third-party pricing sources that
19 you or your firm deem to be reliable sources
20 of pricing information for securities?

21 MR. SHAW: Objection to form.

22 A. I'm not sure. There are lots of
23 services out there. My firm, for instance,
24 gets market quotes on equities from a number
25 of sources and we have a process that we

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1 - P. Pfleiderer-
2 developed over the years of combining that
3 data to -- to make even more accurate price
4 estimates. And I certainly saw that that was
5 being done throughout this exercise. They
6 would get price information from -- from --
7 oftentimes from multiple vendors or multiple
8 sources when that was available, and use --
9 used that information in a combined way to get
10 a fix on the price.

11 Q. The "they" you're referring to here
12 is Barclays?

13 A. I'm referring to Barclays from what
14 is evident from the spreadsheets that I've
15 looked at.

16 Q. Do you consider yourself to be an
17 expert on the reliability of particular
18 pricing services?

19 A. I certainly know that Bloomberg and
20 others are quite reliable because we've used
21 those in our firm. And are they 100 percent
22 accurate in all cases? I guess nothing
23 measures up to that standard. But are they
24 reliable to use for exercises such as this,
25 such as we do at our firm? I think the answer

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1 - P. Pfleiderer-
2 is definitely yes.

3 Q. The question was a little
4 different. Do you consider yourself an expert
5 in the reliability of particular pricing
6 sources?

7 A. Well, I have not done a full study
8 of reliability. First of all, you have to
9 define how you measure reliability, what
10 circumstances, so on and so forth.

11 In the process of using things at
12 my firm and in looking at equity feeds and
13 things of that sort, I know that there is a
14 high degree of reliability of much of the data
15 that's made available.

16 I know that PricewaterhouseCoopers
17 has looked at the work that has been done and
18 the sources that have been used, and my
19 understanding is that they had no objection to
20 its use. And I was basing certainly my
21 assessment in part upon that, upon my
22 knowledge of the types of vendors that are out
23 there and what they provide, so...

24 Q. If you can go back to my question.
25 Do you consider yourself to be an expert on

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1 - P. Pfleiderer-
2 the reliability of pricing sources?

3 A. I certainly think I have expertise
4 in it. Am I the world's expert on that? No,
5 but I certainly have expertise to the point
6 where I was able to satisfy myself that the
7 use of the type of pricing sources that were
8 being used here in this context was
9 appropriate and reasonable.

10 Q. Are you offering an expert opinion
11 in this case about the reliability of any
12 particular pricing services?

13 A. I wasn't asked to offer an expert
14 opinion on the particular reliability of any
15 one source. So in my -- in my report, I don't
16 address the reliability of any particular
17 source, I wasn't asked to do that.

18 Q. You told us that you haven't
19 personally used Intex for any pricing that you
20 have done, correct?

21 A. Not to my recollection. I may have
22 at one point, but I don't recall.

23 Q. And certainly in connection with
24 this assignment, you personally didn't use
25 Intex to verify the calculations or values

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1 - P. Pfleiderer-
2 derived by Barclays; is that right?

3 A. No, I did not.

4 Q. And no one on your staff did that,
5 correct?

6 A. I would have to check with my staff
7 who looked at lots of pricing sources and lots
8 of information, did a number of checks. And
9 I -- I'm not going to say that that was not
10 done because it may very well have been done.
11 So I don't know.

12 Q. So as you sit here, you don't know
13 whether any Intex searches, other valuations
14 were done by your staff with respect to this
15 assignment?

16 A. They may very well have been done,
17 but I don't know.

18 Q. Handing you what's previously been
19 marked as 637-A. Marked this morning as
20 637-A.

21 Sir, have you seen Exhibit 637-A
22 before today?

23 (Witness reviewing document.)

24 A. I don't believe I have. I may have
25 seen parts of this, but I don't believe so,

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1 - P. Pfleiderer-
2 though.

3 Q. As part of your assignment, sir,
4 one of the things you did is you went back and
5 you looked at the valuations that had been
6 prepared by Barclays' PCG Group for each of
7 the CUSIPs in this transaction, correct?

8 A. Could you read the question back,
9 please?

10 (Record read as follows:

11 "Question: As part of your assignment,
12 sir, one of the things you did is you
13 went back and you looked at the
14 valuations that had been prepared by
15 Barclays' PCG Group for each of the
16 CUSIPs in this transaction, correct?")

17 A. So the only problem or the major
18 problem I had in answering your question is
19 your use of the term "each of the CUSIPs." I
20 looked at my spreadsheets that contained all
21 the CUSIPs, I believe, that were delivered in
22 either the initial inventory or the JPM,
23 J.P. Morgan inventory that was delivered on
24 the 22nd.

25 And I've looked at those column by

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1 - P. Pfleiderer-
2 column and to some extent line-by-line, and it
3 is probably the case that in scrolling down
4 and looking at things, I've seen each of the
5 CUSIPs. But if you're asking did I spend ten
6 minutes looking at each row times 10,000 or
7 12,000, I obviously didn't do that.

8 What I did is I spent a lot of time
9 looking at what was done column by column in
10 scrolling down the rows, looking at the
11 procedures, looking at the various marks. And
12 not only did I do that, but staff working at
13 my direction did that as well in a very
14 intense way.

15 So if the question is did I spend
16 ten minutes or more looking at each CUSIP and
17 verifying that? The answer is no. If the
18 question is did I do a very intensive review
19 of what was done, looking at those
20 spreadsheets, looking at how they were
21 constructed, looking at various rows and what
22 was done and did the staff working at my
23 direction do that, the answer is decidedly
24 yes.

25 Q. Again, just so I'm clear, as far as

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1 - P. Pfleiderer-
2 **you know, your staff didn't go CUSIP by CUSIP**
3 **and validate the prices on every single CUSIP;**
4 **is that right?**

5 A. First of all, I ask what would you
6 mean by "validate the price" on every CUSIP?
7 So take one CUSIP first, what would you mean
8 by "validate"?

9 **Q. Let's use one definition of**
10 **"validate." Did you go back and independently**
11 **verify the price used by PCG whether or not**
12 **that was, in fact, the correct price as of the**
13 **correct valuation date for that CUSIP?**

14 A. So now we need to dig even deeper.
15 The price that was used by PCG, for example,
16 for a corporate was obtained by getting
17 quotations from various vendors, from various
18 sources. And the procedure generally -- and
19 there were potentially exceptions to this so I
20 want to use the word "generally". We have to
21 go through each spreadsheet if you want to
22 individually look at each CUSIP.

23 The procedure was to take the
24 minimum of those prices. So if you're talking
25 about validation in the way that I just

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1 - P. Pfleiderer-
2 **validation exercise I had in mind, so thank**
3 **you for answering.**

4 **Are there any particular CUSIPs**
5 **that you're aware of as you sit here today**
6 **where that type of validation exercise was**
7 **done by you or your staff?**

8 A. The answer is yes in the following
9 sense. There were some CUSIPs for which I
10 looked at some screen shots that were produced
11 relating to various inputs in -- in the CUSIP.
12 And the one that comes to mind, as I sit here
13 right now, and I could probably refresh my
14 memory with some others if I had a spreadsheet
15 in front of me in electronic version, but the
16 one that comes to mind, for example, is the
17 Pine CLO where there was a question as to what
18 the appropriate factor was.

19 And I looked at a screen shot that
20 was produced. It may have been Bloomberg, but
21 it may have been some other vendor. And saw
22 the actual number that came from that screen
23 shot and that was then placed -- and I went
24 back and verified that that number was the
25 number that was being used in the spreadsheet.

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1 - P. Pfleiderer-
2 thought you were talking about it, that would
3 entail looking at those price feeds and
4 verifying that if it says 37.2, it was indeed
5 37.2 that was the price that was put out by
6 that vendor on that particular -- for that
7 particular day.

8 I don't believe that staff working
9 at my direction did that. They may have. I
10 can tell you that I did not do that. I took
11 those prices as being a correct representation
12 of what the vendor would have been reporting
13 on that particular day.

14 So I did not validate those prices
15 in that way. Staff working at my direction
16 may -- may have done that. I do not believe
17 that they routinely did that across all 10,000
18 CUSIPs. I'm actually quite sure that they did
19 not.

20 But if that's the type of
21 validation exercise that you're talking about,
22 it may have been done in some cases for some
23 CUSIPs by my staff. I don't know. I know
24 that I did not personally do it.

25 **Q. That was exactly the type of**

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1 - P. Pfleiderer-
2 So the answer is yes, in a limited
3 way, I did do that.

4 **Q. Other than Pine, as you sit here**
5 **today, is there any other particular CUSIP or**
6 **security that comes to mind where you did**
7 **that?**

8 MR. SHAW: "You" personally?

9 MR. TAMBE: Personally. Let's
10 start with that.

11 A. I believe there are. I've seen
12 some other screen shots and I have a
13 recollection of it at some point looking --
14 looking for it in the spreadsheet. And that
15 entails -- that entails you take the CUSIP and
16 you search in the column for that CUSIP and
17 verifying it. But I don't remember -- I don't
18 remember the name of the security and I
19 certainly don't remember the name of the
20 CUSIP.

21 The one that stands out in my mind
22 as I sit here now is Pine. However, I believe
23 that my staff working at direct -- at my
24 direction have -- have looked at no else as
25 well and may well have looked at things that I

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<p>1 - P. Pfleiderer-</p> <p>2 didn't look at and I'm sure that's quite</p> <p>3 likely.</p> <p>4 Q. Do you have a recollection of</p> <p>5 directing your staff to go look up particular</p> <p>6 prices for particular CUSIPs by name and</p> <p>7 identifying any of those?</p> <p>8 A. My direction to the staff working</p> <p>9 at my direction was to do a thorough</p> <p>10 evaluation of what I was doing in a more</p> <p>11 limited way of looking at the information that</p> <p>12 was presented and checking to see how it was</p> <p>13 used. So that type of global direction was</p> <p>14 given, but it wasn't given on a CUSIP by CUSIP</p> <p>15 basis.</p> <p>16 Q. In your previous couple of answers,</p> <p>17 you said that you would go to the spreadsheet</p> <p>18 and look up other examples. What's "the</p> <p>19 spreadsheet" that you're referring to? There</p> <p>20 are a lot of spreadsheets in this case?</p> <p>21 A. So there were two that one -- and I</p> <p>22 can give you. I have to go back and look</p> <p>23 because these spreadsheets had very long</p> <p>24 names. But one was called "Valuation Detail,"</p> <p>25 and then there was some qualifying</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 information, and that was a huge spreadsheet</p> <p>3 that had at least probably 10 -- I'm trying to</p> <p>4 recall the exact number. 10 or so. It was a</p> <p>5 workbook that had 10 or so spreadsheets,</p> <p>6 perhaps more.</p> <p>7 And that contained the summary</p> <p>8 page as well as the backup detail for the</p> <p>9 initial inventory that was received. And then</p> <p>10 there was a separate spreadsheet -- and,</p> <p>11 again, I couldn't give you the full name</p> <p>12 because, as I recall, it's at least 30 or 40</p> <p>13 characters long -- that contained the</p> <p>14 inventory that was received in the J.P. Morgan</p> <p>15 settlement that had a very similar structure,</p> <p>16 not identical.</p> <p>17 But the formatting was a little bit</p> <p>18 different and some of the structure was a</p> <p>19 little different, but a similar structure</p> <p>20 overall to the initial spreadsheet or the</p> <p>21 spreadsheet workbook that related to the</p> <p>22 initial inventory.</p> <p>23 Q. Just for ease of our conversation</p> <p>24 today, let's refer to the first spreadsheet</p> <p>25 that you're alluding to as the initial</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 inventory spreadsheet. Okay? And the second</p> <p>3 spreadsheet is the J.P. Morgan inventory</p> <p>4 spreadsheet.</p> <p>5 A. Right.</p> <p>6 Q. Is that fine?</p> <p>7 A. Yes. And let me just insert</p> <p>8 something here. There were other workbooks</p> <p>9 and back-up materials that were also on file.</p> <p>10 So those are not the only two.</p> <p>11 Q. I'm aware there is certainly more</p> <p>12 than two spreadsheets out there.</p> <p>13 But when you think about the</p> <p>14 definitive spreadsheets that you turned to in</p> <p>15 determining what price ultimately was used by</p> <p>16 PCG for a particular CUSIP, the two</p> <p>17 spreadsheets you described are the ones you</p> <p>18 would first turn to?</p> <p>19 A. Well, I want to be a little bit</p> <p>20 careful. You said the "definitive</p> <p>21 spreadsheets," and there were -- there were</p> <p>22 others that were important in establishing</p> <p>23 inputs into those. So in some sense, those</p> <p>24 have equal standing because they were all</p> <p>25 involved in the production of the final</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 numbers.</p> <p>3 So it's not the case that you can</p> <p>4 look at those two spreadsheets in complete</p> <p>5 isolation and get all the information that you</p> <p>6 need.</p> <p>7 Q. I don't mean to suggest otherwise,</p> <p>8 but there are two spreadsheets that you've</p> <p>9 identified as ones that are particularly</p> <p>10 important to you in at least answering the</p> <p>11 question as to what value was assigned to a</p> <p>12 particular CUSIP either in the initial</p> <p>13 inventory or the J.P. Morgan inventory by</p> <p>14 Barclays, right?</p> <p>15 A. Again, I wouldn't say that they</p> <p>16 answered the question. There are two</p> <p>17 spreadsheets that gave the summary for the</p> <p>18 valuations of the initial inventory and the</p> <p>19 J.P. Morgan inventory respectively. And those</p> <p>20 spreadsheets had summaries, and the summaries</p> <p>21 pointed to other worksheets --</p> <p>22 Q. Within that same spreadsheet?</p> <p>23 A. -- within that spreadsheet, but</p> <p>24 those, for example, were based on other</p> <p>25 spreadsheets. One of the spreadsheets that</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 appeared, for example, in those was a</p> <p>3 spreadsheet called "Liquidity", and that had</p> <p>4 backup in another spreadsheet. So I think for</p> <p>5 convenience, you don't put all of this into</p> <p>6 one super workbook.</p> <p>7 But I want to be careful that in</p> <p>8 saying -- in identifying two, that we're not</p> <p>9 segregating them in inappropriate ways from</p> <p>10 other spreadsheets that were certainly</p> <p>11 important for what ultimately ended up in the</p> <p>12 summary section of those spreadsheets and was</p> <p>13 used for the acquisition valuation.</p> <p>14 Q. As a practical matter, sir, neither</p> <p>15 you nor I nor the judge can ever sit down and</p> <p>16 open and go through every single spreadsheet</p> <p>17 that Barclays may have used in valuing the</p> <p>18 securities, correct? There's just too many of</p> <p>19 them?</p> <p>20 MR. SHAW: Objection to form.</p> <p>21 Q. There's a lot of data here, right?</p> <p>22 A. There is a lot of data. I --</p> <p>23 Q. So let's not get jammed up in how</p> <p>24 much data there is.</p> <p>25 When I ask you what price did</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Barclays assign to a particular CUSIP, where</p> <p>3 would you go to find that price? Where in</p> <p>4 your work papers, where in the spreadsheets</p> <p>5 you've been provided would you go? Where</p> <p>6 would you first go?</p> <p>7 A. So let me just say something. I</p> <p>8 can't say what the judge would look at</p> <p>9 clearly. But when you say "as a practical</p> <p>10 matter," there were spreadsheets that were</p> <p>11 used in this, and one could take the time</p> <p>12 to -- to go through those if one had the time.</p> <p>13 So when you say "practical,"</p> <p>14 obviously if you have to do something in</p> <p>15 limited time, it may not be possible to go</p> <p>16 through -- through all those in extraordinary</p> <p>17 detail. But I certainly had a lot of time to</p> <p>18 go through them in great detail and reach the</p> <p>19 conclusions that I did.</p> <p>20 But to answer the question that you</p> <p>21 posed last, the two spreadsheets that you</p> <p>22 would go to to see what price Barclays had</p> <p>23 assigned to a particular CUSIP and ultimately</p> <p>24 the price that was used, the par value, the</p> <p>25 factor, the market value, the liquidity</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 adjustment and the ultimate exit price, all of</p> <p>3 those are contained first in those two</p> <p>4 spreadsheets that we were talking about just a</p> <p>5 moment ago.</p> <p>6 Q. And anywhere in the materials that</p> <p>7 are before you, your expert reports, the</p> <p>8 addendum, etcetera, do you see the file names</p> <p>9 for those two spreadsheets that you are</p> <p>10 talking about?</p> <p>11 (Witness reviewing document.)</p> <p>12 MR. SHAW: I would object to the</p> <p>13 question on the grounds that he does</p> <p>14 not have in front of him the revised</p> <p>15 version of the materials relied on in</p> <p>16 preparing the report. If you want</p> <p>17 to --</p> <p>18 MR. TAMBE: We can go ahead and</p> <p>19 mark that. We can save a lot of time,</p> <p>20 Counsel. If you know what he's</p> <p>21 referring to by file name, list the</p> <p>22 file names and we will go to those.</p> <p>23 MR. SHAW: I think he is referring</p> <p>24 to the two spreadsheets discussed in</p> <p>25 Exhibit 637-A as (1) and (2), which as</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 that letter says, were produced on</p> <p>3 January 18th and previously identified</p> <p>4 in the revised production of index with</p> <p>5 all the documents that were sent to you</p> <p>6 by, I guess, Chris Green on</p> <p>7 January 23rd.</p> <p>8 BY MR. TAMBE:</p> <p>9 Q. So in an effort to cut through some</p> <p>10 of these, sir, do you want to take a look at</p> <p>11 what counsel just said?</p> <p>12 (Witness reviewing document.)</p> <p>13 Q. Do you see items (1) and (2) in</p> <p>14 Exhibit 637-A, sir?</p> <p>15 A. Yes, I so.</p> <p>16 Q. And having reviewed those -- and</p> <p>17 feel free to consult with counsel if you</p> <p>18 need -- are those the two file names of the</p> <p>19 two spreadsheets that you were referring to in</p> <p>20 your testimony a few minutes ago?</p> <p>21 A. My recollection is that those are.</p> <p>22 The problem I'm having in responding is I knew</p> <p>23 where they were on the hard drive of my</p> <p>24 computer. I would go to a folder, I would see</p> <p>25 an Excel spreadsheet. I knew that even by the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 54</p> <p>1 - P. Pfleiderer-</p> <p>2 size of it, that that was the one I wanted to</p> <p>3 look at. So I wasn't in the habit of looking</p> <p>4 at the entire name.</p> <p>5 But looking at these names and</p> <p>6 recalling vaguely the names of those</p> <p>7 spreadsheets, I believe they correspond to the</p> <p>8 two that we've been talking about.</p> <p>9 Q. And item (1), the spreadsheet</p> <p>10 that's identified in item (1) of</p> <p>11 Exhibit 637-A, that's the initial inventory</p> <p>12 spreadsheet you were referring to?</p> <p>13 A. I believe it is. That would be --</p> <p>14 it is certainly implied by the "PwC Day 1"</p> <p>15 label and the second by the "JPM" label would</p> <p>16 indicate the inventory that was received on</p> <p>17 the 22nd of December.</p> <p>18 I knew them more by the placement</p> <p>19 in the hard drive than by the names. But that</p> <p>20 would certainly be the reasonable way to</p> <p>21 interpret those names.</p> <p>22 Q. Do you have your computer here?</p> <p>23 A. Not here.</p> <p>24 Q. Not in this room. Do you have it</p> <p>25 on premises at Jones Day?</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 55</p> <p>1 - P. Pfleiderer-</p> <p>2 A. No.</p> <p>3 Q. Is it in town?</p> <p>4 A. Yes. It's in the hotel.</p> <p>5 Q. Just up the street?</p> <p>6 A. It is not up the street.</p> <p>7 Q. Well, why don't we ask for the</p> <p>8 computer to be sent over? We can open it up</p> <p>9 and then there could be no question as to what</p> <p>10 you are alluding to, right? Do you think you</p> <p>11 can do that?</p> <p>12 MR. TAMBE: Why don't we do that?</p> <p>13 I make a request, let's have Professor</p> <p>14 Pfleiderer's computer sent over and we</p> <p>15 can look it up.</p> <p>16 MR. SHAW: Let's go off the record</p> <p>17 for a minute and let me talk with</p> <p>18 Mr. Vellrath. I think we can</p> <p>19 definitively tell you what those two</p> <p>20 are.</p> <p>21 MR. TAMBE: I would like to see</p> <p>22 Professor Pfleiderer's computer,</p> <p>23 because that is what he seems to rely</p> <p>24 on.</p> <p>25 MR. SHAW: No. He relied on</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 56</p> <p>1 - P. Pfleiderer-</p> <p>2 documents in the computer that have</p> <p>3 been produced to you. The fact that,</p> <p>4 he in his mind, identifies them by</p> <p>5 where they are in his computer does not</p> <p>6 mean you get to demand the production</p> <p>7 of his computer.</p> <p>8 MR. TAMBE: I don't want any</p> <p>9 uncertainty.</p> <p>10 BY MR. TAMBE:</p> <p>11 Q. Professor Pfleiderer, maybe you can</p> <p>12 clarify this. I don't want any uncertainty.</p> <p>13 If I pull up a file on a laptop and put it on</p> <p>14 the screen here, would you be able to tell by</p> <p>15 looking at that file that that's the file</p> <p>16 that's in your computer?</p> <p>17 A. Oh, yes. I would be able to --</p> <p>18 once I look at the file and how it is</p> <p>19 formatted, I would be able to tell if it is</p> <p>20 the J.P. Morgan file. You simply tell by the</p> <p>21 size or the initial inventory. I can look at</p> <p>22 the summary pages and quickly conclude which</p> <p>23 is which.</p> <p>24 Q. So at the next break, what we will</p> <p>25 do is we will set up a projector here and put</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 57</p> <p>1 - P. Pfleiderer-</p> <p>2 the spreadsheets up because you like to work</p> <p>3 with the native spreadsheets, right?</p> <p>4 A. That's really the only way to do</p> <p>5 it.</p> <p>6 Q. So we'll do that.</p> <p>7 MR. TAMBE: In the meantime, I do</p> <p>8 have my outstanding request for his</p> <p>9 computer. So if that can be brought</p> <p>10 over, maybe we can take a snapshot of</p> <p>11 what his directory looks like and what</p> <p>12 his hard drive looks like.</p> <p>13 MR. SHAW: No. We are not going do</p> <p>14 to that.</p> <p>15 MR. TAMBE: I made my request. You</p> <p>16 can choose to accede to it or not.</p> <p>17 MR. SHAW: I'm not acceding to it.</p> <p>18 BY MR. TAMBE:</p> <p>19 Q. Going to 634-A, which is Volume II</p> <p>20 of your expert report. It is the other bound</p> <p>21 document you have in front of you. If you can</p> <p>22 go to the first page, the Table of Contents to</p> <p>23 Volume II, page 2?</p> <p>24 MR. SHAW: Volume II, page (ii)?</p> <p>25 MR. TAMBE: That's right.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-

2 **Q. The first Table of Contents entry**
3 **is Exhibit 1, part A, and that's a listing of**
4 **the initial inventory positions, correct?**

5 A. That's a subset of the initial
6 inventory that was related to the -- what's
7 called here the fed replacement repo, yes.

8 **Q. So the fed replacement repo**
9 **securities that were transferred over the**
10 **night of the 18th into the morning of the**
11 **19th; is that right?**

12 A. That is correct.

13 **Q. And that goes from page 1 to**
14 **page 164 of this exhibit, correct? You just**
15 **list out the CUSIPs and you have a couple of**
16 **other columns, correct?**

17 A. Actually, it goes through 163.

18 **Q. That listing of data that appears**
19 **on pages 1 through 163, have you drawn that**
20 **data from the initial inventory spreadsheet**
21 **you were talking about before?**

22 A. Well, that data was a subset of
23 that initial inventory. So yes, it was drawn
24 from that, but it is not everything that's in
25 that spreadsheet.

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1 - P. Pfleiderer-

2 **Q. You have a column in Exhibit 1,**
3 **part A of Exhibit 634-A, and it is a column**
4 **titled "Custodial Marks." Do you see those**
5 **words?**

6 A. Yes, I do.

7 **Q. With respect to this spreadsheet**
8 **that runs from page 1 to page 163, the**
9 **"custodial marks" you are indicating there are**
10 **the Bank of New York marks, right?**

11 A. That would be correct, yes.

12 **Q. Then when you go to Exhibit 1, part**
13 **B, which begins on page 164. Are you there?**

14 A. I am.

15 **Q. So beginning on page 164, that's**
16 **the J.P. Morgan inventory, correct?**

17 A. Yes.

18 **Q. And that runs all the way through**
19 **page 185?**

20 (Witness reviewing document.)

21 A. That's correct.

22 **Q. And the custodial marks in that**
23 **section, Exhibit 1, part B, those are the**
24 **J.P. Morgan custodial marks?**

25 A. That is correct.

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1 - P. Pfleiderer-

2 **Q. And you drew this data, Exhibit 1**
3 **part B data, you drew that from the**
4 **J.P. Morgan inventory you were talking about**
5 **just a few minutes ago?**

6 A. That's correct.

7 (Exhibit 638-A, Appendix Two, list
8 of documents and other materials
9 reviewed and considered, marked for
10 identification, as of this date.)

11 **Q. Sir, I place before you a document**
12 **marked as Exhibit 638-A. What is that**
13 **document?**

14 (Witness reviewing document.)

15 A. This is a document that is
16 basically, I believe -- I'd have to go back
17 and check -- Appendix Two of my report.

18 **Q. And what is the significance of the**
19 **materials that are listed in Appendix Two; why**
20 **those and not other materials?**

21 A. This is a compilation of materials
22 that either I or my staff -- I should phrase
23 it this way. That my staff and I had access
24 to and that was used or considered in the
25 report.

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2 **Q. And if there were materials that**
3 **you had access to or that were not used or**
4 **considered in the report, you left them off**
5 **this list; is that right?**

6 A. I'm not sure how to answer your
7 question. Certainly the answer is yes in the
8 sense that there were a lot of materials that
9 I and staff working at my direction had access
10 to.

11 For instance, if you look under the
12 heading "Newspaper Articles Business
13 Commentary," the set of newspaper articles and
14 business commentary out there is
15 extraordinarily large. We had access to at
16 least a good part of it. Most of it, we
17 obviously didn't use and didn't rely on.
18 Articles about things that didn't involve this
19 case were certainly -- in any way were not
20 used and were not relied upon in any way and
21 are not listed here so...

22 **Q. That wasn't my question. When**
23 **something is used in Appendix Two, that's**
24 **something you used and relied upon?**

25 MR. SHAW: Perhaps I can cut

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2 through this.

3 MR. TAMBE: I would like his
4 answer, actually.

5 MR. SHAW: That's fine.

6 A. My answer to that question would be
7 the following: This is a list of materials
8 that staff working at my direction and I had
9 access to it and either used, in the sense of
10 had access to it. In many cases, we were
11 relying on it. However, there may be, for
12 example, deposition -- some deposition
13 exhibits that are listed here that it would
14 not make a difference to either my staff or to
15 me if we didn't have those. If we hadn't had
16 those, we would not have come to any different
17 conclusion because they were tangential and
18 not related.

19 I think there was an exhaustive
20 list, or nearly exhaustive list of things that
21 we had access to. But if you're asking if
22 exhibit -- I don't even know what Exhibit 180
23 is at this point.

24 But if Exhibit 180 had not been
25 available, would your opinion change or would

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2 you have written a different report? Again
3 not knowing what Exhibit 180 is, but knowing
4 that there are some exhibits here that contain
5 information that was tangential and not
6 relevant to anything that I wrote in my
7 report.

8 **Q. So if I understand what you're**
9 **saying, there may be matters listed in this**
10 **document, Exhibit 638-A, that you, in fact,**
11 **may not have relied on?**

12 A. Again, I'd be careful how to answer
13 that because I'm not sure what you're saying
14 in saying that we relied on it. We had access
15 to it and I may have looked at something or
16 staff working at my direction may have looked
17 at something, and reviewed it and decided that
18 it wasn't relevant.

19 And so did we rely on that, well,
20 in some sense we did because it was an exhibit
21 that was produced or was the result of a
22 deposition and it may have contained material
23 that would have been important.

24 And by looking at it and
25 determining that it wasn't, we are in some
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2 sense relying on it because we are using it to
3 see that it didn't contain something that was
4 relevant.

5 **Q. There is a lot of Bates labeled**
6 **documents that were available to you that are**
7 **not listed on that first page of Bates labeled**
8 **documents. Do you see that?**

9 (Witness reviewing document.)

10 **Q. That's not a listing of all the**
11 **Bates numbered documents that were made**
12 **available to you, is it, sir?**

13 (Witness reviewing document.)

14 **Q. It is just the one page.**

15 A. I -- I don't know looking at these
16 particular numbers what these were. You'd
17 have to show me.

18 **Q. Let me ask you the question another**
19 **way.**

20 **Do you have any idea of how this**
21 **annex to Exhibit 638-A was prepared?**

22 A. This particular, the material --

23 **Q. Yes.**

24 A. It was -- my understanding is that
25 the staff that was working at the Finance

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2 Scholars Group kept careful track of
3 everything that came in that was in some way
4 used, the analysis that was being done and was
5 reviewed to, as I pointed out in some of these
6 cases, to determine whether it was relevant or
7 not.

8 So I did not compile this list but
9 they kept a careful log of everything that --
10 that would be at all relevant either because
11 it might be relevant and it was looked at and
12 determined that it wasn't relevant, or because
13 it might be relevant and it was looked at and
14 determined that it was relevant.

15 **Q. And your understanding is those are**
16 **the criteria used to put together this list;**
17 **is that right?**

18 A. That's my understanding but it may
19 be slightly mistaken. I don't know. But
20 that's -- that was my understanding.

21 MR. TAMBE: 639-A.

22 (Exhibit 639-A, BCI Exhibit 346,
23 declaration of Paul Pfleiderer, marked
24 for identification, as of this date.)

25 **Q. I've handed you a document marked**

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639-A. It is a cover sheet and a two-page Declaration signed by you. Do you see that?

A. Yes, I do.

Q. Turning to Paragraph 3 of your Declaration, you describe in there some additional analysis that was done by your staff following the submission of your report. Do you see that?

A. That is correct.

Q. And specifically the analysis you have referenced is the classification of CUSIPs into several categories. Do you see that?

A. Yes.

Q. Why was that analysis done?

A. My understanding is that attorneys working for Boise Schiller requested that we do this analysis.

Q. To what end?

A. My understanding was that there are issues related to the types of securities that are in the inventory that was associated with the repo that are either securities that would not -- for legal reasons, and here is where my

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understanding is -- is not complete. For legal reasons, would not be in repo's having a certain legal standing.

Q. Would you consider yourself an expert in repo transactions?

A. In the legal aspect of repo transactions? No. In much of the economics involved? Yes.

Q. Have you ever personally been involved in placing a repo trade?

A. No, I have not.

Q. I've looked through your résumé. As far as I know, you have not worked in an investment bank or financial institution; is that correct?

A. That is correct.

Q. Have you ever testified previously about repo transactions?

A. Not to my recollection, no.

Q. Written any peer-reviewed papers about repo transactions?

A. No, I have not.

Q. Written any papers about repo transactions?

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A. I've written a paper that has to do with financing of financial institutions. I'm trying to remember whether we specifically talk about repo transactions in that it wasn't the central focus of the paper, but it may have been. I have to go back and read the paper.

Q. And do you consider yourself an expert on the types of collateral that would or would not be eligible in a commercial repo transaction?

A. My understanding of the type of collaterals that are generally used in the haircuts that are generally used, I have an understanding of what -- what would typically be used. But I don't have -- I don't have a legal understanding of that.

Q. Do you consider yourself to be an expert in terms of industry practices and customs in the repo industry?

A. I certainly have knowledge, but I'm not the world's expert.

Q. Do you consider yourself to be an expert for purposes of this case with respect

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to those issues?

A. I had not been asked, in what I was asked to do, to specifically address detailed issues related to the type of collateral that would be in a commercially available repo.

I do offer an opinion that the type of collateral that was associated with this was extremely risky, hard to value, and because of that would not be the type of collateral that would be used given the type of commercial repos that are -- overnight repos that have to be -- have to be marked quickly. And so I do offer that opinion. But I am not an expert in terms of the commercial practice of repos beyond -- beyond that knowledge, but that's a clear conclusion that can be drawn from the type of -- type of collateral that was actually in this particular repo.

Q. I know you offer the opinion. Do you consider yourself an expert in the matters on which you are opining?

A. I do.

Q. What's the basis of your expertise

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<p>1 - P. Pfleiderer-</p> <p>2 with respect to the commercial aspects of repo</p> <p>3 transactions?</p> <p>4 A. The typical haircuts that are given</p> <p>5 and the risks that would be involved and the</p> <p>6 nature of the repo process means that</p> <p>7 securities that are extremely hard to value</p> <p>8 and have had extremely limited liquidity would</p> <p>9 not be used in commercial repos having --</p> <p>10 having fairly small haircuts and used for</p> <p>11 short-term transactions.</p> <p>12 Q. And the basis of that expertise is</p> <p>13 what, you've read stuff?</p> <p>14 A. I've read stuff and just my</p> <p>15 knowledge of the risk that would be involved</p> <p>16 in making a repo transaction when the</p> <p>17 inventory or the collateral had those</p> <p>18 characteristics.</p> <p>19 Q. Do you know one way or the other</p> <p>20 whether collateral with those characteristics</p> <p>21 was included in commercial repo transactions</p> <p>22 at any time in September 2008 among any</p> <p>23 commercial parties?</p> <p>24 A. I did not do an analysis, strict</p> <p>25 analysis of that.</p> <p> TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Q. Did you look at any other</p> <p>3 commercial repo transactions to see what kind</p> <p>4 of collateral was included in those repos?</p> <p>5 A. I'm not sure. But I believe that</p> <p>6 staff working at my direction was -- was</p> <p>7 tasked with that. But I personally did not.</p> <p>8 Q. And the staff that was tasked with</p> <p>9 that, did they give you a report as to what</p> <p>10 they found?</p> <p>11 A. I believe, as I recall, we had a</p> <p>12 conversation about that but I don't believe it</p> <p>13 took the form of an actual report.</p> <p>14 Q. Who did you have a conversation</p> <p>15 with?</p> <p>16 A. That would have been with Marc</p> <p>17 Vellrath.</p> <p>18 Q. And do you know what Mr. Vellrath's</p> <p>19 basis of information was about those issues?</p> <p>20 Is he a repo trader formerly?</p> <p>21 A. You'd have to ask him.</p> <p>22 Q. You don't know?</p> <p>23 A. I don't believe he was. But he's</p> <p>24 done quite a bit. In his background, he may</p> <p>25 very well have some experience. You'd have to</p> <p> TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 directly ask him.</p> <p>3 Q. But you're not aware of any</p> <p>4 specific?</p> <p>5 A. I'm not aware of it, no.</p> <p>6 Q. Okay. So you've gone ahead and</p> <p>7 prepared this declaration, Exhibit 639-A.</p> <p>8 Is it the case, sir, that the</p> <p>9 securities that you've identified in Paragraph</p> <p>10 3 in Romanette (i) through (vii), those are</p> <p>11 securities that you believe are commonly used</p> <p>12 in commercial repo transactions?</p> <p>13 (Witness reviewing document.)</p> <p>14 A. No, I'm not -- I'm not saying that</p> <p>15 here.</p> <p>16 Q. I know you're not saying that</p> <p>17 there. But you classified these securities</p> <p>18 and you classified them for some reason, the</p> <p>19 lawyers asked you to classify them. Is that</p> <p>20 the end to which you were classifying these</p> <p>21 securities?</p> <p>22 A. No, it was not. And it was not --</p> <p>23 the opinion that I offer in my report was</p> <p>24 based not on this particular exercise of</p> <p>25 looking at these securities on this particular</p> <p> TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 dimension, but rather on an understanding of</p> <p>3 the type of securities that ended up being</p> <p>4 delivered and the difficulty in marking them,</p> <p>5 determining the risk, determining liquidity,</p> <p>6 that drew -- that was what I base my</p> <p>7 conclusion on more than a particular</p> <p>8 categorization of this sort. Although this is</p> <p>9 certainly related.</p> <p>10 MR. TAMBE: We can take a break</p> <p>11 now, if you like.</p> <p>12 (Whereupon, a recess was taken</p> <p>13 from 10:56 a.m. to 11:07 a.m.)</p> <p>14 (Exhibit 640-A, 2/6/2010 letter to</p> <p>15 Jones Day from Boise Schiller, marked</p> <p>16 for identification, as of this date.)</p> <p>17 BY MR. TAMBE:</p> <p>18 Q. Sir, I place before you a document</p> <p>19 marked Exhibit 640-A. Have you seen that</p> <p>20 document before today?</p> <p>21 A. I'm not sure that I've seen this</p> <p>22 precise document. I think I've seen some of</p> <p>23 this at some point in the last few months, but</p> <p>24 I don't -- I don't believe I've seen this</p> <p>25 particular document, no.</p> <p> TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 Q. The paragraph numbered one of this</p> <p>3 document, states in the first sentence,</p> <p>4 "Professor Pfleiderer participated in the</p> <p>5 interviews of Richard Landreman, Gary Romain,</p> <p>6 Sean Teague, Steven King and Jasen Yang. Do</p> <p>7 you see that?</p> <p>8 A. Yes, I do.</p> <p>9 Q. Okay. I'm going to ask you a few</p> <p>10 questions about those interviews.</p> <p>11 A. Yes.</p> <p>12 Q. Describe generally with respect to</p> <p>13 those individuals, how many interviews there</p> <p>14 were, how long they lasted, who else was</p> <p>15 present. So let's start with Richard</p> <p>16 Landreman.</p> <p>17 A. My recollection is that was</p> <p>18 probably the last one, and I'm going to guess</p> <p>19 that it may have been an hour. But there is a</p> <p>20 potentially fairly wide airbound around that,</p> <p>21 I can't recall specifically.</p> <p>22 Q. Do you recall if there were any</p> <p>23 specific documents or issues that you</p> <p>24 discussed with Mr. Landreman?</p> <p>25 A. I certainly don't recall any</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 documents. The issues, I have a vague</p> <p>3 recollection of it. This was all part of my</p> <p>4 process to get comfortable with the type of</p> <p>5 procedures that had been done in asking --</p> <p>6 asking questions and getting answers and -- so</p> <p>7 I don't recall any particular issues in</p> <p>8 detail.</p> <p>9 Q. As a general matter with respect to</p> <p>10 all five of these individuals, who identified</p> <p>11 the people to speak with? Who identified when</p> <p>12 they would be interviewed and what topics?</p> <p>13 A. I don't remember the precise</p> <p>14 process. I had read -- I know that I read</p> <p>15 Gary Romain's first deposition at that point,</p> <p>16 and I know I read Jasen Yang. So in</p> <p>17 conversations with Marc Vellrath, I think we</p> <p>18 discussed the usefulness of talking to them</p> <p>19 further. And I had read -- I read Stephen</p> <p>20 King, so I know that I mentioned that. I</p> <p>21 don't recall specifically how Sean Teague and</p> <p>22 Richard Landreman were identified.</p> <p>23 I know that on a number of these</p> <p>24 issues, a number of these interviews,</p> <p>25 Professor Saunders was also on the line. I</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 can't remember specifically which ones. And</p> <p>3 some of them may have been ones that he had</p> <p>4 wanted or it may have been that in discussions</p> <p>5 with some of the staff working at my</p> <p>6 direction, these were identified. But I do</p> <p>7 recall having read Gary Romain, Steven King</p> <p>8 and Jason Yang's depositions. And whether I</p> <p>9 had identified those or whether they had been</p> <p>10 identified in some other way, I can't recall.</p> <p>11 Q. Do you know, looking at these five</p> <p>12 names, which of these were identified by</p> <p>13 Professor Saunders?</p> <p>14 A. I wouldn't know that, no.</p> <p>15 Q. Of these five, are there any in</p> <p>16 particular that you remember identifying</p> <p>17 yourself, not just asked?</p> <p>18 A. Again, I'm recalling that I had</p> <p>19 specifically read before these interviews the</p> <p>20 depositions of Gary Romain, Steven King and</p> <p>21 Jasen Yang. So it may very well have been</p> <p>22 that on the basis of that, I said it may have</p> <p>23 been interesting to talk to them. But it may</p> <p>24 have come about through some other way as</p> <p>25 well.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Q. So you may or may not have</p> <p>3 identified any one of these people as subjects</p> <p>4 for interview?</p> <p>5 A. Well, the ones in particular that</p> <p>6 stand out in my mind are Gary Romain, Steven</p> <p>7 King and Jasen Yang because I read their</p> <p>8 depositions. The others may have been</p> <p>9 identified generically in the sense of asking</p> <p>10 who else might be able to give back up. So</p> <p>11 they may not have been identified by name, but</p> <p>12 rather generically. But I sitting here today</p> <p>13 cannot recall the exact process by which they</p> <p>14 were identified.</p> <p>15 Q. You told us that the interview with</p> <p>16 Mr. Landreman lasted an hour. How about the</p> <p>17 interview or interviews with Mr. Romain?</p> <p>18 A. Actually, I said it may have lasted</p> <p>19 an hour. It may have been a fair amount</p> <p>20 longer than that, it may have been a fair</p> <p>21 amount shorter. Going on the recollection of</p> <p>22 what I booked in my calendar when the</p> <p>23 interview was set up, I think it was -- I'm</p> <p>24 picturing it booked for an hour, but it may</p> <p>25 have gone longer than that.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-

2 **Q. Are all of these interviews booked**
3 **in your calendar?**

4 A. I'm not sure. Because I'm an
5 absentminded professor, and I sometimes put
6 things in my calendar and oftentimes I rely on
7 my very feeble memory.

8 **Q. How many interviews did you have**
9 **with Gary Romain?**

10 A. I'm recalling one but there may
11 have been a follow-up interview that I don't
12 recall now.

13 **Q. And how long was the one that you**
14 **recall?**

15 A. That was -- that was some time. I
16 think it was certainly in -- certainly an hour
17 if not more.

18 **Q. Was that in person or over the**
19 **phone?**

20 A. No. All of these were
21 telephonically.

22 **Q. Do you remember what issues you**
23 **discussed with Mr. Romain?**

24 A. The one thing that -- the one thing
25 that stands out in my mind, just because he
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2 said it so emphatically was -- I'm not sure
3 that I asked the question. But the question
4 was asked. There were, again, several people
5 on the line.

6 The question was asked if he had
7 any financial stake, if you will, in terms of
8 whether assets were marked high or low or
9 anything in terms of his personal incentives.
10 And he was very, very emphatic that his job
11 was to get it right and that there was no --
12 there was no bias.

13 I mean, I wasn't surprised that
14 that was the answer, but he -- he was very
15 clear in stating that the role that he had was
16 one to just achieve accuracy in the accounting
17 and the whole procedure.

18 **Q. Do you recall discussing any**
19 **valuation issues with him?**

20 A. There were certainly -- the bulk of
21 the phone call was on issues related to
22 valuation and procedures and would I -- what I
23 recall is that after that phone call, at some
24 point fairly soon after that phone call, I had
25 a conversation with Marc Vellrath and we
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2 talked about that and what would be the issue
3 -- what the conclusions would be that would go
4 into the report or help define the conclusions
5 that would go into the report in terms of what
6 was drawn from that call.

7 But I don't recall, other than that
8 very emphatic statement that he made, I can't
9 recall the specific issues.

10 **Q. So you don't actually recall any of**
11 **the specific valuation issues that you**
12 **discussed with Mr. Romain?**

13 A. I know that there were a number
14 that were discussed and I know that -- I think
15 there were even more -- well, I shouldn't say
16 more but ones that were discussed with Sean
17 Teague at great length, but I can't recall the
18 exact content of that.

19 **Q. Did you keep notes of what**
20 **questions you were asking him and what answers**
21 **he was giving?**

22 A. No, I did not.

23 **Q. Did anyone in your staff?**

24 A. I don't -- I don't know
25 specifically now.

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1 - P. Pfleiderer-

2 **Q. Did you provide any of these**
3 **witnesses with questions in advance of the**
4 **call so they would be ready for the**
5 **interviews?**

6 A. I personally did not, no.

7 **Q. Did your staff?**

8 A. Not to my direct knowledge, but I
9 don't know.

10 **Q. Did you identify particular**
11 **spreadsheets or files that you wanted**
12 **discussed with these individuals on the call?**

13 A. I don't recall that spreadsheets,
14 per se, were identified other than what may
15 have been -- the discussion was more on where
16 certain numbers came from, what procedures
17 were used. But I don't recall, as I recall
18 that it was done on a basis of what do cell
19 three in column 4 -- or in column D represent.
20 I don't think that was the nature of the
21 discussion, I'm pretty sure it was didn't.

22 **Q. In any of these interviews, do you**
23 **recall having spreadsheets open on your**
24 **computer screen and you sort of walking**
25 **through the spreadsheets over the phone with**

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<p>1 - P. Pfleiderer-</p> <p>2 the interviewees?</p> <p>3 A. I don't believe so, no.</p> <p>4 Q. Now, you said there were a number</p> <p>5 of valuation issues discussed with Sean</p> <p>6 Teague. How many interviews were held with</p> <p>7 Mr. Teague?</p> <p>8 A. I'm trying to recall. He was -- he</p> <p>9 was on one of the phone calls. As I recall,</p> <p>10 there were some timing differences and he was</p> <p>11 on a phone call -- and I don't recall</p> <p>12 specifically which phone call he was on. I</p> <p>13 believe he may have piggybacked on the phone</p> <p>14 call with Gary Romain, perhaps. But I don't</p> <p>15 recall.</p> <p>16 Q. Do you recall any of the specific</p> <p>17 valuation issues discussed with Mr. Teague?</p> <p>18 A. Again, I think it was on some very</p> <p>19 specific issues on procedures that were</p> <p>20 followed. I know some of the questions, I</p> <p>21 know, had been identified by staff in looking</p> <p>22 through the spreadsheets that they were --</p> <p>23 they were looking through. And there were --</p> <p>24 there were questions about -- about procedures</p> <p>25 that were being asked and I was hearing the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 answers.</p> <p>3 And I recall that the basic contour</p> <p>4 of the discussion was that Marc Vellrath who</p> <p>5 was working, working quite closely with the</p> <p>6 spreadsheets, as was I, but he was deep down</p> <p>7 in the weeds, if you will, was asking</p> <p>8 questions, and then I was asking follow-up</p> <p>9 questions to get clarification in my mind.</p> <p>10 And that was the basic contour of a fair</p> <p>11 amount of the discussion, although I certainly</p> <p>12 asked questions that were unprompted by</p> <p>13 anything that was being asked by staff working</p> <p>14 at my direction.</p> <p>15 Q. My question is narrower and more</p> <p>16 focused.</p> <p>17 Do you recall any of the specific</p> <p>18 issues that you spoke with Mr. Teague about?</p> <p>19 A. Well, I believe that there was</p> <p>20 discussion about -- I may be confusing this</p> <p>21 with -- with one of the other calls. But</p> <p>22 there was certainly discussion about price and</p> <p>23 marks, about midpoint valuations, questions</p> <p>24 about, as I would recall, determining --</p> <p>25 determining where things went, how they were</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 valued, how they were categorized, what went</p> <p>3 to the PMTG group and -- so there was a lot --</p> <p>4 there was a lot that was discussed, but I</p> <p>5 don't recall anything that gets beyond that</p> <p>6 level of specificity.</p> <p>7 Q. Do you recall with respect to any</p> <p>8 of these individuals, specific securities</p> <p>9 being discussed?</p> <p>10 A. I know, or I'm almost completely</p> <p>11 certain that in one or more of these phone</p> <p>12 calls, the Pine CLOs were discussed, at least</p> <p>13 that's my recollection. I think that there</p> <p>14 was a discussion in general about some of the</p> <p>15 auction rate securities perhaps not by</p> <p>16 individual name but rather more generically.</p> <p>17 So there were some -- there definitely were</p> <p>18 some specifics, and then there were other</p> <p>19 things that were discussed more generically by</p> <p>20 security type.</p> <p>21 Q. But in terms of specific</p> <p>22 securities, you recall discussions about the</p> <p>23 Pine CLO and certain auction-rate securities;</p> <p>24 is that right?</p> <p>25 A. That's my recollection sitting here</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 today.</p> <p>3 Q. And the auction-rate securities</p> <p>4 you're alluding to, those are Giant Stadium</p> <p>5 cap securities, sir?</p> <p>6 A. Here it may have been the Giant</p> <p>7 Stadium securities or it may have been</p> <p>8 auction-rate securities as a generic class of</p> <p>9 securities. That I don't recall.</p> <p>10 Q. Completing the list with Mr. King</p> <p>11 and Mr. Yang. Other than the description</p> <p>12 you've provided of the kinds of issues</p> <p>13 discussed, do you recall any specific issues</p> <p>14 being discussed with either Mr. King or</p> <p>15 Mr. Yang?</p> <p>16 A. My recollection is that issues were</p> <p>17 discussed about pricing in the PMTG</p> <p>18 classification and some of that, obviously,</p> <p>19 would have been with Stephen King, although I</p> <p>20 think some of those things were also discussed</p> <p>21 with Gary Romain but probably more focused</p> <p>22 discussions with Stephen King.</p> <p>23 So, what I can't do, unfortunately,</p> <p>24 is parcel out who discussed what specifically</p> <p>25 and in what context or in what phone call</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 specific things came up, but I do remember the
3 Pine CLOs definitely being discussed perhaps
4 in more than one phone call, probably in more
5 than one phone call.

6 **Q. And the information you**
7 **collectively received from the series of**
8 **interviews helped form your opinion in this**
9 **case?**

10 A. The information was -- was part of
11 the mix of the information that I had,
12 deposition testimony, these interviews,
13 carefully working with the spreadsheets that I
14 had done and that my staff had done. So yes,
15 it formed -- it formed part of what went into
16 the overall conclusions that I'm drawing.

17 **Q. And in part, you were able to pose**
18 **questions or get answers to questions that you**
19 **had about the spreadsheet and other data,**
20 **correct?**

21 A. Oh, yes. That's -- any question
22 that had come up, they -- they seemed to have
23 a quick answer to or they seemed to be able to
24 address the level of detail of questions that
25 I was posing and other people were posing on

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1 - P. Pfleiderer-

2 A. The staff, Marc Vellrath, and I
3 were listening to these phone calls, and then
4 we talked about basically how to proceed,
5 answer questions about how to look at certain
6 things in the spreadsheet. What you see, for
7 instance, in my report about the Pine CLO was,
8 I believe, in part based upon the outcome of
9 those conversations as well as other
10 information that was -- that was in the
11 filing.

12 **Q. I'm just trying to understand how**
13 **you recorded the information.**

14 **Did you record any of the**
15 **information you received in any of these**
16 **interviews in any form?**

17 A. I personally did not, no.

18 **Q. Did your staff?**

19 A. Again, my understanding is that
20 they were in the phone call and that this was
21 informing what they were doing in terms of
22 processing information on the spreadsheets.
23 And then in terms of sitting down and looking
24 at those spreadsheets, we were informed by
25 that.

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1 - P. Pfleiderer-
2 the phone call.

3 So that in itself gave me
4 additional comfort beyond what I could see in
5 the spreadsheets and everything else that a
6 lot of effort and thoughtful appraisal had
7 gone into the -- into the process.

8 **Q. And with respect to any of these**
9 **interviews, did you keep any notes of any of**
10 **the questions asked or any of the answers**
11 **given?**

12 MR. SHAW: Asked and answered.

13 A. No, I did not.

14 **Q. Did any of your staff members?**

15 A. Again, I don't have direct
16 knowledge of that.

17 **Q. And how about any counsel working**
18 **with you; did they keep notes of those**
19 **conversations?**

20 A. You have to ask them.

21 **Q. You haven't seen any such notes?**

22 A. No, I have not.

23 **Q. How were you recording the**
24 **information you were getting in the course of**
25 **these interviews?**

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1 - P. Pfleiderer-

2 **Q. Turning to your report,**
3 **Exhibit 633-A. If you can turn to page No. 2**
4 **of the report.**

5 In footnote 3 you say you are not a
6 CPA and you did not examine and do not opine
7 as to whether Barclays' accounting for its
8 acquisition of LBI's North American
9 broker-dealer businesses complied with
10 applicable accounting principles.

11 **Do you see that?**

12 A. I do.

13 **Q. Are you offering any opinion in**
14 **this matter on the propriety of any of the**
15 **accounting policies and practices followed by**
16 **Barclays?**

17 A. So if I'm asked to answer the
18 question, does all of their accounting or even
19 part of their accounting meet certain
20 regulatory standard or IS standards, I am not
21 a regulator and I am not a CPA, so I would not
22 presume to be able to answer that question.

23 On the other hand, I'm able to look
24 at the process that they followed in terms of
25 valuing the securities that they received and

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<p>1 - P. Pfleiderer-</p> <p>2 looking at how they accounted for it, and</p> <p>3 understand from that enough, or more than</p> <p>4 enough to form the opinions that I'm drawing</p> <p>5 in the report so I would make the distinction</p> <p>6 between being able to do what a CPA or someone</p> <p>7 who is certified to basically make a judgment</p> <p>8 on whether accounting standards have been met,</p> <p>9 since I'm not a CPA and do not have that level</p> <p>10 of certification, I certainly can't do that.</p> <p>11 But in terms of understanding what</p> <p>12 was done and whether it represents, how it</p> <p>13 represents the transaction and what occurred,</p> <p>14 then I certainly am able to do that and to</p> <p>15 judge -- judge from what they did in the</p> <p>16 acquisition accounting, for instance, how that</p> <p>17 relates to various issues in this case.</p> <p>18 Q. Do you believe yourself to be an</p> <p>19 expert on any accounting standards?</p> <p>20 A. If the line to determine whether</p> <p>21 one is an expert is having a CPA, then I fall</p> <p>22 below that line. If the line is: Do you</p> <p>23 understand accounting principles and can you</p> <p>24 look at this and determine whether some basic</p> <p>25 accounting principles have been followed?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Then I have some -- more than some ability to</p> <p>3 do that. But I'm not a certified public</p> <p>4 accountant.</p> <p>5 Q. Have you ever testified on the</p> <p>6 adequacy or application of accounting</p> <p>7 standards in any matter?</p> <p>8 A. I've never been asked to because,</p> <p>9 again, I'm not a certified public accountant.</p> <p>10 Q. Do you consider yourself to be an</p> <p>11 expert on standards of disclosure or adequacy</p> <p>12 of disclosure in bankruptcy proceedings?</p> <p>13 MR. SHAW: Objection to form.</p> <p>14 A. I'm not sure how to answer this</p> <p>15 question because the question you asked before</p> <p>16 about accounting, there's a clear bright line.</p> <p>17 You're either a certified public accountant or</p> <p>18 you're not. I'm not sure if there's a bright</p> <p>19 line to be drawn here.</p> <p>20 Certainly much of my academic work</p> <p>21 has been concerned with information and how</p> <p>22 information gets disclosed into markets. And</p> <p>23 so I certainly have expertise along those</p> <p>24 lines.</p> <p>25 But in terms of understanding</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 precise regulatory requirements in any</p> <p>3 particular setting, whether it's U.S. or U.K.,</p> <p>4 I don't have that expertise.</p> <p>5 Q. And in terms of what the standards</p> <p>6 may be for the adequacy of disclosures made to</p> <p>7 a bankruptcy court, that's not something that</p> <p>8 you are an expert?</p> <p>9 MR. SHAW: Are you asking him what</p> <p>10 the legal standards are?</p> <p>11 MR. TAMBE: My question --</p> <p>12 Q. Do you understand my question, sir?</p> <p>13 A. No. Because when you use words</p> <p>14 like "adequacy," I think I can only answer</p> <p>15 that question when I understand what the --</p> <p>16 what the line is being drawn. If it is a</p> <p>17 legal decision or legal assessment has to be</p> <p>18 made, I do not have a legal background.</p> <p>19 If it's a question about</p> <p>20 information that's required to make various</p> <p>21 decisions, then my training as a financial</p> <p>22 economist is certainly relevant to questions</p> <p>23 that would arise when it's posed in that</p> <p>24 regard.</p> <p>25 Q. So when it's posed in that regard,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 are you offering any opinion as to the</p> <p>3 adequacy of the disclosure that was made to</p> <p>4 this Bankruptcy Court with respect to this</p> <p>5 transaction?</p> <p>6 A. The opinions I offer are those that</p> <p>7 are in my report. And to the extent that they</p> <p>8 touch upon that, then I am.</p> <p>9 Q. Do you believe any of your opinions</p> <p>10 touch upon the adequacy of the disclosure made</p> <p>11 to the Bankruptcy Court in this case?</p> <p>12 A. I think at the end I'm referring to</p> <p>13 decisions that were made ultimately by the</p> <p>14 Court. I don't know whether there's a direct</p> <p>15 implication there that there was adequate</p> <p>16 disclosure, but it's certainly implied by what</p> <p>17 I'm saying that I believe that the decisions</p> <p>18 that were reached were based upon the</p> <p>19 information that was available and was</p> <p>20 presented to the Court, and it was reasonable</p> <p>21 to conclude as the Court concluded.</p> <p>22 So that certainly touches upon the</p> <p>23 issue of adequate disclosure, perhaps not in a</p> <p>24 legal sense, but in other senses.</p> <p>25 Q. Let me make sure I understand.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 **Putting aside what you believe may**
3 **be implied by your report, are you directly**
4 **offering the opinion that adequate disclosure**
5 **of the facts of this transaction was made to**
6 **this Bankruptcy Court?**

7 A. Well, I have to go back and look in
8 my report. I don't believe I make that
9 particular statement. But it may be that if
10 we went through each of the opinions,
11 especially those at the end, that they are
12 related to issues that would relate to
13 adequate disclosure.

14 **Q. Is any part of any opinion that you**
15 **are offering in this matter based on your**
16 **views of the credibility of witnesses?**

17 A. I think the answer to that almost
18 has to be yes. I've read -- I've read many
19 depositions. For instance, thinking back on
20 it now, it occurs to me you're asking about
21 the repos and whether they were
22 commercially -- whether the inventory that was
23 received in the repo was adequate or -- or not
24 adequate, but would be associated with what
25 would be considered normal for a commercial

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1 - P. Pfleiderer-
2 were going to talk about specific things, I
3 can tell you to what extent that factored into
4 the conclusions that I'm drawing in my report.

5 **Q. Okay. But as a general matter, it**
6 **did factor into the conclusions you are**
7 **drawing into your report, the credibility,**
8 **your assessment of the credibility of**
9 **particular witnesses?**

10 MR. SHAW: Objection to form.
11 Compound. Vague.

12 A. I think the only way that I can
13 answer that is as an expert, I reviewed the
14 record of people who were under oath. And I
15 don't think it is my role as an expert to make
16 judgments about credibility. My understanding
17 would be that ultimately that's what the Court
18 does.

19 So I certainly was not -- I can
20 answer the question the following way. It was
21 never the case that I read something and said
22 to myself that person is varicating,
23 exaggerating, lying under oath. So I took the
24 record exactly as it was. That people were
25 testifying under oath, lots of information was

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1 - P. Pfleiderer-
2 repo.

3 And I remember reading, I believe
4 it was Stephen King and perhaps in some other
5 deposition testimony, fairly strong statement
6 that it was not. So that was certainly part
7 of the reason that I reached the conclusion or
8 made the statement that it was not
9 commercially normal -- commercially normal
10 repo was based upon testimony that I read in
11 the record.

12 And to the extent that I'm relying
13 on that, I'm assuming that Steven King was
14 telling the truth.

15 **Q. And there's other testimony in the**
16 **record that you reviewed that you did not rely**
17 **on, correct? And we'll go through examples.**

18 **But generally, you are aware that**
19 **there are deposition and passages in**
20 **depositions which you have given little or no**
21 **weight to, right?**

22 A. If you want to point out specific
23 things, then I can say whether I -- how I
24 weighed it and how I interpreted it. I'm not
25 going to make a blanket statement. But if we

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1 - P. Pfleiderer-
2 given.

3 It is obviously a somewhat confused
4 record because people are saying different
5 things and have different recollections, and
6 that's why I felt for some of the conclusions
7 I read, it was useful to look at the actual
8 information that was there that wasn't going
9 to be based on people's recollections. For
10 example, looking at the actual balance sheet
11 that Lehman Brothers had on Friday, September
12 the 12th was actually a good way to actually
13 get to the issue of what was the valuation
14 based upon Lehman marks at the time -- at
15 least on the 12th, at the time before the
16 transaction was even being contemplated.

17 So it is a confused record in that
18 way for the very simple reason that an
19 extraordinary amount of volatility in both the
20 markets and in this process was occurring over
21 this week. But I did not in any way draw a
22 conclusion that I can rely on X and not rely
23 on Y because X is telling the truth and Y is
24 lying. I did not go through that at all.

25 **Q. With respect to the example you**

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<p>1 - P. Pfleiderer-</p> <p>2 just mentioned, the balance sheet valuation,</p> <p>3 there you looked at what you believed to be</p> <p>4 the balance sheet of Lehman Brothers on</p> <p>5 the 12th of September in drawing your</p> <p>6 conclusions, as opposed to the testimony of</p> <p>7 witnesses about what may or may not have</p> <p>8 happened in terms of negotiating a discount at</p> <p>9 the inception of the trade; is that right?</p> <p>10 A. Just to be clear, I looked at two</p> <p>11 things. I looked at a spreadsheet that was</p> <p>12 produced based on the balance sheet of the</p> <p>13 12th, which is a summary balance sheet. And</p> <p>14 then staff working under my direction went to</p> <p>15 the GFS system and verified the numbers in</p> <p>16 that spreadsheet were very close to what was</p> <p>17 appearing in the GF system.</p> <p>18 Q. With respect to that example, you</p> <p>19 relied on that data as opposed to the</p> <p>20 testimony of individuals who testified about</p> <p>21 the existence of a potential \$5 billion</p> <p>22 discount at the inception of the transaction,</p> <p>23 correct?</p> <p>24 MR. SHAW: Objection.</p> <p>25 Mischaracterizes the prior testimony.</p> <p> TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 A. What I did is look at a situation</p> <p>3 where there was a confusing record, if you</p> <p>4 will, about what valuations were and what they</p> <p>5 were relative to Lehman marks. And I went</p> <p>6 back and did the obvious thing, what I think</p> <p>7 is the obvious thing, of looking at what the</p> <p>8 Lehman marks were.</p> <p>9 And by looking on Friday the 12th</p> <p>10 before there would be any chance that they</p> <p>11 would be influenced by any process, secret or</p> <p>12 not, we can get to a way to make an assessment</p> <p>13 that doesn't rely on people's recollections.</p> <p>14 And in a case where people's</p> <p>15 recollection are, shall we say, a bit of</p> <p>16 exaggeration but all over the map when you</p> <p>17 have documentary record there based upon</p> <p>18 Lehman's own systems on the 12th, you can cut</p> <p>19 through that confusion to a great extent and</p> <p>20 look at what these assets were being valued at</p> <p>21 on the 12th.</p> <p>22 Q. And the system you are referring</p> <p>23 to, Lehman's own system, is the GFS system</p> <p>24 that you're referring to with respect to this</p> <p>25 example?</p> <p> TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 A. Well, there were two, two bases for</p> <p>3 this. One was the GFS system and one was a</p> <p>4 spreadsheet that was produced that that was</p> <p>5 referenced at the top "Lehman's balance sheet"</p> <p>6 on the 12th.</p> <p>7 Q. If we can just move in your report,</p> <p>8 in Volume I of your report, to your</p> <p>9 qualifications which I believe appear on</p> <p>10 page 80.</p> <p>11 At the bottom of page 80, moving on</p> <p>12 to page 81, you have under "Experience" a</p> <p>13 series of professorships that you have held</p> <p>14 going back to 1977. Do you see that?</p> <p>15 A. I wouldn't call the professorships</p> <p>16 that I had before 1981 professorships. I had</p> <p>17 research assistant positions and teacher</p> <p>18 assistant positions, but those would not be</p> <p>19 referred to as professorships.</p> <p>20 Q. Are there other work experiences</p> <p>21 where you were employed by other institutions</p> <p>22 in this time period between 1977 and the</p> <p>23 present, that you have excluded from this list</p> <p>24 of experience?</p> <p>25 A. Well, I did mention that I did have</p> <p> TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 a firm that is called Quantal International.</p> <p>3 I don't list it on here because this I</p> <p>4 interpret to be my academic résumé, it is the</p> <p>5 only résumé that I have.</p> <p>6 In terms of positions, academic</p> <p>7 positions? No. These are the only positions</p> <p>8 I have. I joined Stanford Graduate School of</p> <p>9 Business immediately upon my completion of my</p> <p>10 Ph.D. And to be quite technical, I joined it</p> <p>11 before '81 before I completed my Ph.D. I</p> <p>12 completed my Ph.D. in 1982 but I was and have</p> <p>13 been in Stanford since 1981. So I've had no</p> <p>14 other academic appointments.</p> <p>15 Q. Your company is it Quantal?</p> <p>16 A. Quantal, Q-U-A-N-T-A-L.</p> <p>17 Q. Are you the sole owner of that</p> <p>18 company?</p> <p>19 A. No.</p> <p>20 Q. Who are the other owners?</p> <p>21 A. Another owner is Terry Marsh, who</p> <p>22 is a professor at the University of California</p> <p>23 at Berkeley and is now an emeritus member of</p> <p>24 their faculty and he's the other major owner.</p> <p>25 But you have a stock option plan and there are</p> <p> TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 other owners as well.

3 **Q. When did you form Quantal?**

4 A. I believe in 1992, if memory serves
5 me correctly.

6 **Q. What kind of a business is Quantal?**

7 A. Originally it was set up as a
8 business to provide risk estimates and large
9 equity portfolios. So we developed a risk
10 model which is basically a factor, implicit
11 factor model, statistical factor model to
12 explain correlations and risks across the
13 worldwide equity portfolio.

14 And one of the roles I had was to
15 develop the algorithms that did that
16 assessment, and I also wrote an optimizer that
17 would be used for portfolio optimization.

18 **Q. Of equity securities?**

19 A. Of equity securities. We also
20 developed some fixed income risk models that
21 would be integrated into the equity model, and
22 that's still under some development. So the
23 original concentration was in equities.

24 **Q. In the course of this assignment,
25 did you use any of the algorithms and models**

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1 - P. Pfleiderer-
2 **that have been developed at Quantal?**

3 A. No, I did not. I don't believe I
4 used anything that would be -- any
5 intellectual property that I developed there.

6 **Q. Now, for purposes of this
7 assignment, you have worked with staff at the
8 Finance Scholars Group?**

9 A. That is correct.

10 **Q. And what is the Finance Scholars
11 Group?**

12 A. The Finance Scholars Group, as I
13 understand it, and I don't have a complete
14 understanding necessarily of all that they do,
15 but my understanding is that among the things
16 that they do is litigation support assisting,
17 for example, experts such as myself in
18 handling cases where there is more than three
19 CUSIPs.

20 **Q. And is it the case here that you
21 are one of the experts that works with Finance
22 Scholars Group; is that right?**

23 A. I know that Professor Saunders also
24 worked with them. There may be other experts
25 that worked with them, but only Professor

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1 - P. Pfleiderer-
2 Saunders the one that I have knowledge of as
3 having a relationship with the Finance
4 Scholars Group.

5 **Q. Have you worked with the Finance
6 Scholars Group prior to this engagement?**

7 A. No. This is the first time I had
8 the opportunity to work with them.

9 **Q. Does the Finance Scholars Group
10 have a permanent staff?**

11 A. Yes. My understanding is that they
12 do.

13 **Q. Have you worked with any of the
14 members of their staff prior to this
15 engagement?**

16 A. Prior to this engagement? No.
17 Actually, I have to be careful in answering
18 that. Because I have worked with other
19 litigation support groups and there is always
20 a staff that is assisting and sometimes you
21 meet some of that staff and some of the others
22 you don't meet. And there is the possibility
23 that someone that was working on a prior case
24 and assisting me, unbeknownst to me, is now
25 working at the Finance Scholars Group.

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1 - P. Pfleiderer-
2 So I can only say that I don't know
3 anyone that's working at the Finance Scholars
4 Group that worked on the case previously with
5 me.

6 **Q. Just describe for me generally the
7 role played by Finance Scholars Group with
8 respect to the preparation of your report.**

9 MR. SHAW: I'll give you some
10 latitude on this, Jay, but I would note
11 that there are limits on discovery in
12 the experts stipulation of the parties
13 that's been entered here.

14 A. So one thing I could say is that
15 they had access to all of the -- all of the
16 spreadsheet data that was used in the
17 preparation of my report as did I. And they
18 spent a lot of time doing the -- some of the
19 analysis on that.

20 For example, just to give you an
21 example, in one part of my report, I have a
22 reporting of what portion of the Lehman
23 portfolio was marked Level 1, Level 2 and
24 Level 3. And they went through the GFS
25 report. And there's a column -- I've looked

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<p style="text-align: right;">Page 106</p> <p>1 - P. Pfleiderer-</p> <p>2 at this. There's a column in that, as I</p> <p>3 recall it, it is column BQ in one of the GFS</p> <p>4 reports, that has a 1, a 2 or a 3 that</p> <p>5 reflects whether it is a Level 1, Level 2 or</p> <p>6 Level 3 security. And what they did is they</p> <p>7 went through and sorted it and determined what</p> <p>8 percentage was in each one of those</p> <p>9 categories, and that appears in my report.</p> <p>10 So that would be an example of one</p> <p>11 of the things that they did.</p> <p>12 Q. And in terms of the drafting and</p> <p>13 the preparation of your report, what role did</p> <p>14 they play in that?</p> <p>15 A. The process was one of -- I met</p> <p>16 with Marc Vellrath and we sat down and I came</p> <p>17 up with an outline on the topics and sub</p> <p>18 outline of what I wanted to have covered, and</p> <p>19 the sub outline of individual points in that.</p> <p>20 And some of the drafting, I believe -- it gets</p> <p>21 a little bit confused. But some of the</p> <p>22 drafting of that was done by me. But most of</p> <p>23 the initial draft was done by him.</p> <p>24 And then I received an initial</p> <p>25 draft, rewrote parts of it, changed things,</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 107</p> <p>1 - P. Pfleiderer-</p> <p>2 and there was this type of back and forth.</p> <p>3 Lots of conversations over the phone, several</p> <p>4 meetings in Palo Alto, and proceeded in that</p> <p>5 fashion.</p> <p>6 Q. In terms of your valuation opinion</p> <p>7 as to value of the fed repo replacement</p> <p>8 collateral, is there a single CUSIP in the</p> <p>9 list of securities that were transferred where</p> <p>10 you disagreed with Barclays' valuation, you</p> <p>11 thought they got it wrong?</p> <p>12 A. I certainly don't recall looking at</p> <p>13 any particular CUSIP and saying that has to be</p> <p>14 wrong. I mean, that certainly never occurred.</p> <p>15 What I did look at are exercises of</p> <p>16 the following sort, for example. And I don't</p> <p>17 recall whether this -- I have to go back and</p> <p>18 check whether this was in the initial</p> <p>19 inventory, I believe it may have been, but</p> <p>20 perhaps it was in the inventory that was</p> <p>21 received with the J.P. Morgan settlement.</p> <p>22 But there were -- for instance,</p> <p>23 there was commercial paper. A good example is</p> <p>24 commercial paper that was issued by LBHI which</p> <p>25 my recollection is were being carried on BoNY</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 108</p> <p>1 - P. Pfleiderer-</p> <p>2 marks on 98 cents on the dollar. I may be</p> <p>3 wrong about that, it may have been 95, but it</p> <p>4 was above 90 is what I recall. And Lehman --</p> <p>5 excuse me, I misspoke. Barclays marked that</p> <p>6 on ten cents on the dollar or something close</p> <p>7 to that.</p> <p>8 And I don't know whether it was</p> <p>9 correct at ten cents or nine cents or 11</p> <p>10 cents, so it wasn't the case that I would look</p> <p>11 at that and say, oh, it should have been eight</p> <p>12 cents or it should have been 13 cents. That</p> <p>13 would have certainly been beyond what I need</p> <p>14 to do to reach the conclusions that I did.</p> <p>15 But the question is: Is this</p> <p>16 valued more appropriately at 90 cents or 98</p> <p>17 cents on the dollar, commercial paper of a</p> <p>18 company that's filed for bankruptcy, or ten</p> <p>19 cents. And there, it is very clear that its</p> <p>20 reliable estimate of value that could be</p> <p>21 realized, the ten cents is much closer than</p> <p>22 the 98 cents.</p> <p>23 So the answer to your question is,</p> <p>24 no, I did not see any CUSIP where I decided</p> <p>25 that the decision that was made by Barclays</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 109</p> <p>1 - P. Pfleiderer-</p> <p>2 was patently wrong.</p> <p>3 Q. And was there any asset class or</p> <p>4 subclass of securities with respect to which</p> <p>5 you concluded that the process followed by</p> <p>6 Barclays was wrong?</p> <p>7 A. No.</p> <p>8 Q. Not a single one?</p> <p>9 A. By "asset class," you mean the</p> <p>10 corporates, the --</p> <p>11 Q. The corporates, the agency, the</p> <p>12 PMTGs. You know, the various ways in which</p> <p>13 securities were sliced and diced and dealt</p> <p>14 with as classes of securities.</p> <p>15 With respect to any such class of</p> <p>16 security, did you reach the conclusion that</p> <p>17 Barclays had gotten it wrong?</p> <p>18 A. No, I did not reach that</p> <p>19 conclusion. Because again, there is no way to</p> <p>20 say it should have been 11 cents or ten cents</p> <p>21 or nine cents. The issue is whether the marks</p> <p>22 are appropriate for this particular asset</p> <p>23 class at this time given the market situation.</p> <p>24 And you look at -- for example, you</p> <p>25 look at the quotes that they were getting and</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 110</p> <p>1 - P. Pfleiderer-</p> <p>2 you ask: Is it reasonable for them to use the</p> <p>3 Bloomberg prices or the prices that they're</p> <p>4 getting from external vendors in the way that</p> <p>5 they did? And the answer is yes, in my</p> <p>6 opinion.</p> <p>7 Much of what was actually valued</p> <p>8 was the result of sales that occurred very</p> <p>9 shortly after the transaction. And so it</p> <p>10 would be rather presumptuous for me to say</p> <p>11 that Barclays who is marking this at the</p> <p>12 actual sale that they realized is wrong and</p> <p>13 that there's a better indication of what value</p> <p>14 they could have realized than what they</p> <p>15 actually realized immediately after the</p> <p>16 transaction.</p> <p>17 Q. When you say "much of what's being</p> <p>18 valued" was the result of sales, give me a</p> <p>19 ballpark percentage? 50 percent? 60 percent?</p> <p>20 A. Well, I can't give you a</p> <p>21 percentage. What I can tell you is that if</p> <p>22 you look at, for example, the PMTG spreadsheet</p> <p>23 and you go down, you'll see that there are</p> <p>24 quite a few CUSIPs that were valued at the</p> <p>25 sale price. And I refer to some of those in</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 111</p> <p>1 - P. Pfleiderer-</p> <p>2 my -- my report.</p> <p>3 And whenever Barclays in those</p> <p>4 cases had an initial mark as they oftentimes</p> <p>5 did, and then a sale transaction that occurred</p> <p>6 very shortly thereafter, they took the sale</p> <p>7 transaction rather than the initial mark with</p> <p>8 the liquidity adjustment as the -- as the</p> <p>9 value to be assigned for that particular</p> <p>10 CUSIP.</p> <p>11 And if we open up that spreadsheet,</p> <p>12 I can show you numerous examples.</p> <p>13 Q. And we will do that. But a couple</p> <p>14 of questions I have about the sales process.</p> <p>15 For any of the sales that you just</p> <p>16 referred to that are identified in those</p> <p>17 spreadsheets, do you know the dates on which</p> <p>18 those sales actually occurred.</p> <p>19 A. I'd have go back and look at the</p> <p>20 spreadsheet to see.</p> <p>21 Q. Would that be important to</p> <p>22 assessing the validity of the price or the</p> <p>23 value that Barclays assigned to a particular</p> <p>24 CUSIP, when the sale was done?</p> <p>25 A. My understanding from, I believe</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 112</p> <p>1 - P. Pfleiderer-</p> <p>2 conversations with -- I believe it was Gary</p> <p>3 Romain, was that those sales occurred very</p> <p>4 shortly after the closing of the transaction.</p> <p>5 And I'd have to go back and look at the</p> <p>6 spreadsheet to see if there is some -- some</p> <p>7 commentary on the side that indicates --</p> <p>8 indicates the date of the sale.</p> <p>9 I know that in some cases, I</p> <p>10 believe, having looked at the spreadsheet, I</p> <p>11 believe there are cases where that isn't</p> <p>12 available. I know that in all cases, I</p> <p>13 believe it had to be before the 30th, but I</p> <p>14 believe that many of them were within a few</p> <p>15 days of the transaction.</p> <p>16 Q. Are you aware of any sales that</p> <p>17 occurred after the 30th of September 2008 and</p> <p>18 which are being valued at a sales price</p> <p>19 obtained after September 30, 2008?</p> <p>20 MR. SHAW: Are you talking just</p> <p>21 about the original inventory or the</p> <p>22 J.P. Morgan --</p> <p>23 MR. TAMBE: The original inventory.</p> <p>24 A. I'm not aware of it, having looked</p> <p>25 through the spreadsheets. But my</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 113</p> <p>1 - P. Pfleiderer-</p> <p>2 recollection -- I certainly did not encounter</p> <p>3 any. So the answer to your question is I'm</p> <p>4 not aware of any that were after the 30th.</p> <p>5 Q. With respect to any of the sales,</p> <p>6 did you ever ask to see any trade tickets</p> <p>7 reflecting the sale of any of the securities?</p> <p>8 A. I did not. Staff working at my</p> <p>9 direction may have, but not to my knowledge.</p> <p>10 Q. Do you know the nature of the sales</p> <p>11 that are being referred to in those</p> <p>12 spreadsheets?</p> <p>13 A. I'm not sure I understand what you</p> <p>14 mean by "nature of the sales."</p> <p>15 Q. Are these sales internally within</p> <p>16 Barclays or sales to third parties? Do you</p> <p>17 know?</p> <p>18 A. My understanding is that the bulk</p> <p>19 of them were sales to third parties because</p> <p>20 the initial auction to the desk, I believe,</p> <p>21 I'd have to go back and review the record, was</p> <p>22 done -- I'd have to check the record to see</p> <p>23 exactly what that was.</p> <p>24 MR. SHAW: Whenever you reach a</p> <p>25 good stopping point.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-

2 **Q. You said you have to go back and**
3 **check. What would you check to determine the**
4 **answer to that question?**

5 A. I'd go back and check the -- the
6 spreadsheets and also what I'm -- what I can't
7 quite remember is the testimony of Gary
8 Romain. I believe there was some testimony on
9 this. Although it may have been -- it may
10 have been -- it may have been information that
11 was in the phone call that I realized was
12 covered and I just can't remember right now.

13 **Q. Other than what may have been**
14 **stated to you in a telephone call or what you**
15 **may have read in a deposition, have you at any**
16 **point seen any documentary evidence of sales**
17 **to third parties of this collateral prior to**
18 **September 30, 2008?**

19 MR. SHAW: Objection. Asked and
20 answered.

21 A. I think you did ask that question.
22 Because you asked for trade ticket.

23 **Q. Trade tickets, yes. But there may**
24 **be other documents you've seen that showed**
25 **that there were sales to third parties?**

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1 - P. Pfleiderer-

2 A. I don't believe that I've seen any.
3 Although, I'd have to go back. I do recall
4 some e-mails that may have talked about sales
5 to third parties. I'd have to go back and
6 check. It may be the staff at my -- working
7 at my direction had seen some of this, but I
8 don't have direct knowledge of that.

9 **Q. Putting aside sort of to whom the**
10 **sales were made, do you have any information**
11 **as to lot sizes in which the trades were done?**

12 A. I'd have to go back and look at the
13 spreadsheets. Because I believe that in most
14 of the cases, the whole position was sold, but
15 I don't believe that it speaks to exactly how
16 it was disposed of. But I have to check the
17 spreadsheet again.

18 **Q. Would you agree with me that the**
19 **lot size in which the position was disposed of**
20 **could affect the value obtained on the sale of**
21 **that position?**

22 A. Well, that is exactly the point
23 here. That the need to mark these assets,
24 these securities to an exit price should
25 affect the price that it does depend -- the

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1 - P. Pfleiderer-

2 exit price does depend upon the lot size.

3 So to the extent that you're
4 needing to get an accurate estimate of what is
5 the realizable price through an orderly exit
6 that you will achieve on a particular
7 security, yes, indeed, it will be affected by
8 that. And by looking at the actual market
9 price, you no longer really have to make an
10 estimate, you actually see what actually
11 happened.

12 **Q. How do you define "orderly exit"?**

13 A. Orderly exit is --

14 **Q. Is it dumping all of the securities**
15 **in one go?**

16 A. No. That certainly was not what
17 happened here. That would be a fire sale,
18 where everything is -- is dumped pretty much
19 precipitously, and that was not what happened
20 here because a lot of the positions were held
21 and a lot of the positions were not dumped on
22 the first or second day.

23 So orderly exit is something that
24 was not a fire sale but it was well-known that
25 Barclays was going to sell off many of these

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1 - P. Pfleiderer-

2 securities because it was bearing risk and
3 holding them. A lot of them couldn't be
4 hedged and it was -- really some of them, some
5 of them couldn't be well hedged. Some of them
6 could be hedged. But with ones that couldn't
7 be hedged, there would be a greater incentive,
8 to the extent that you could, to unwind those
9 positions in a fairly orderly fashion but not
10 hold them for six months or a year.

11 **Q. Would an orderly sale include**
12 **taking, for example, \$100 million position and**
13 **selling it out in lot sizes of \$10 million?**
14 **Is that an example of an orderly sale?**

15 A. It could be.

16 **Q. And it would be an appropriate way**
17 **of avoiding dumping or a fire sale price?**

18 MR. SHAW: Objection to form.

19 A. The question has to be asked in the
20 context of what the market conditions are.

21 **Q. The depth of that particular**
22 **market?**

23 A. The depth of that particular market
24 would be an issue. And also the risk involved
25 in holding it. Barclays and anyone that

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<p>1 - P. Pfleiderer-</p> <p>2 receives a risky inventory like this is going</p> <p>3 to be making a trade-off, is going to be</p> <p>4 conscious of a trade-off between holding --</p> <p>5 holding something over longer period of time</p> <p>6 and having to bear the risk of that when it is</p> <p>7 not a position that you wanted to hold in the</p> <p>8 first place, versus selling it off relatively</p> <p>9 quickly but not in fire sale condition and</p> <p>10 relieving yourself of that risk and getting a</p> <p>11 reasonable price for it. But necessarily an</p> <p>12 exit price, because you are exiting the</p> <p>13 position.</p> <p>14 Q. With respect to any of the exit</p> <p>15 prices because the exit prices were based on</p> <p>16 sale as indicated on the spreadsheet, did you</p> <p>17 or your staff do any work to determine how the</p> <p>18 prices Barclays obtained compared to prices</p> <p>19 that prevailed in the markets for those</p> <p>20 securities on those days on which the sales</p> <p>21 were made?</p> <p>22 MR. SHAW: Objection to form.</p> <p>23 Q. Do you understand my question?</p> <p>24 A. Could you read it back, please?</p> <p>25 (Record read as follows:</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 "Question: With respect to any of the</p> <p>3 exit prices, because the exit prices</p> <p>4 were based on sale as indicated on the</p> <p>5 spreadsheet, did you or your staff do</p> <p>6 any work to determine how the prices</p> <p>7 Barclays obtained compared to prices</p> <p>8 that prevailed in the markets for those</p> <p>9 securities on those days on which the</p> <p>10 sales were made?")</p> <p>11 A. Let me give you a general answer</p> <p>12 to, first of all, the context to which you're</p> <p>13 asking that question. There are securities</p> <p>14 that were received in the inventory that were</p> <p>15 relatively easy to mark because there was an</p> <p>16 active market and prices were available</p> <p>17 through pricing sources, and in those cases</p> <p>18 where the prices were readily available</p> <p>19 through the pricing source, in many of those</p> <p>20 cases, if not most, those were the marks that</p> <p>21 were applied at midpoint marks by Barclays.</p> <p>22 The problem with this portfolio was</p> <p>23 that there were a number of securities for</p> <p>24 which there weren't active markets. There</p> <p>25 were very thin markets or nonexistent markets,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 or almost nonexistent markets.</p> <p>3 So the question you're asking about</p> <p>4 some of these exits is, would you have been</p> <p>5 able to compare the price that Barclays</p> <p>6 received to a quote/unquote ongoing price in</p> <p>7 the market, and the answer to that is that</p> <p>8 there wouldn't have been an ongoing price in</p> <p>9 the market.</p> <p>10 I did not personally check to see</p> <p>11 whether it corresponded to some ongoing price</p> <p>12 in the market because I fully well knew that</p> <p>13 in many of these cases there wouldn't be an</p> <p>14 ongoing price in the market.</p> <p>15 Now, I don't know, it may be the</p> <p>16 case that my staff working on this did check</p> <p>17 some of that, but I personally did not.</p> <p>18 Q. Did your staff working on this</p> <p>19 report to you, with respect to any of the</p> <p>20 sales that Barclays actually did, about how</p> <p>21 Barclays sales price compared to the prices</p> <p>22 that were obtainable from other sources for</p> <p>23 those securities for the days on which the</p> <p>24 sales were made?</p> <p>25 A. For the sales that I was referring</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 to that are particularly important in this</p> <p>3 regard are ones that were in the PMTG section</p> <p>4 of the inventory.</p> <p>5 Q. My question is not so limited. I'm</p> <p>6 asking about all the sales that are part of</p> <p>7 the valuation. Every single security that was</p> <p>8 sold. For any of those securities, did you do</p> <p>9 a price check? Any one of those securities,</p> <p>10 did you do a price check?</p> <p>11 A. I'm going to be very careful here.</p> <p>12 Because the question as I understood it was</p> <p>13 when a sale price was used to determine the</p> <p>14 realizable value of the asset. So it is</p> <p>15 certainly the case that Barclays acquired</p> <p>16 securities, marked them according to various</p> <p>17 external information that was available and</p> <p>18 used that as the price, the midpoint price to</p> <p>19 which it, in many cases adjusted downward to</p> <p>20 convert it into an exit price. And</p> <p>21 subsequently, quite likely sold it but used</p> <p>22 that midpoint price, adjusted by the haircut,</p> <p>23 to basically represent the exit price.</p> <p>24 So we have to distinguish cases --</p> <p>25 Q. I'm not talking about that type,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer- 2 that example. The example I'm talking about 3 is exactly the opposite of that. 4 MR. SHAW: Jay, please stop 5 interrupting his answers. 6 MR. TAMBE: He needs to answer the 7 questions I'm asking him. I don't want 8 this to be an endless filibuster 9 session. Okay? This is technical 10 stuff. There are lots of places to go 11 and hide in the answer. I've asked a 12 very specific question. 13 Q. Let me rephrase it, if there is any 14 confusion in your mind about what it is that 15 I'm asking for. 16 I'm asking for that universe of 17 trades for which Barclays sold the securities, 18 as you said, very shortly after -- 19 A. Right. 20 Q. -- the acquisition date, so before 21 September 30, 2008, and used the sales price 22 actually obtained on the sale as the price on 23 which they would mark that security or value 24 that security for purposes of the acquisition 25 balance sheet. Right? That universe of TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer- 2 trades, those CUSIPs. 3 With respect to any of those 4 CUSIPs, did you or your staff go out into the 5 market or use any tools available to you to 6 determine whether the sales price used was 7 consistent with, higher, lower, how it 8 compared to prevailing prices for that 9 security in the relevant market on the 10 relevant sale date? 11 A. And just to be clear, I was not 12 filibustering, I was trying to make sure that 13 the distinction was made between securities 14 that were marked and subsequently sold, but 15 that the mark, the original mark was used and 16 that the classes of securities that might have 17 been originally marked and subsequently sold, 18 and the sale price was used. And there is a 19 distinction there. 20 So in answering your question, I 21 was wanting to make sure that we were talking 22 about that latter universe. 23 Now that's clarified, it is my 24 recollection that most of that was in the PMTG 25 group. And I have to go back and look at some TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer- 2 of the others to see when they were using the 3 sale prices. But most of it was concentrated 4 in the PMTG group, is my recollection. So 5 there would not have been prices for most of 6 those, the prevailing in the market for those. 7 I did not -- in answering your 8 question as it's now posed, I did not myself 9 check to see whether there were prevailing 10 prices in the market and compare those. Staff 11 working in my direction may have done that as 12 a check. Because they were doing checks on 13 various things, but I don't have direct 14 knowledge of that as I sit here today. 15 Q. You've taken some comfort in the 16 report that you've prepared on the fact that 17 Barclays' valuation of the acquisition of 18 securities was audited by PwC, correct? 19 A. That is certainly a factor in 20 reaching my conclusion, that an outside 21 auditor came in and looked at the process and 22 did what an outside auditor does in valuating 23 something of this sort. 24 Q. Do you know, sir, whether PwC did 25 the type of price check analysis we just TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer- 2 talked about with respect to the securities 3 that were sold and for which Barclays used the 4 sales price as the price at which they value 5 the security? 6 A. They may have, but I don't have 7 direct knowledge of that. 8 Q. Do you have any reason to believe 9 they did it? 10 A. I have no reason to believe they 11 did; I have no reason to believe they did not. 12 Q. Did you speak with anyone in PwC in 13 the preparation of your report? 14 A. I did not. 15 MR. TAMBE: Do you want to take a 16 break? 17 MR. SHAW: Yes. We have been going 18 over an hour. 19 MR. TAMBE: What time is it? 20 MR. SHAW: 12:30 almost. 21 MR. TAMBE: Do you want to break 22 for lunch at this point? 23 MR. SHAW: That makes sense. 24 (Luncheon recess taken at 12:22 p.m.) 25 - - - TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 AFTERNOON SESSION
3 (Time noted: 1:12 p.m.)
4 PAUL PFLEIDERER, resumed as a
5 witness and testified as follows:
6 CONTINUED EXAMINATION BY
7 MR. TAMBE:
8 **Q. If you can turn to Volume II of**
9 **your report, sir. Looking at Exhibit 1,**
10 **Part A, which is the initial inventory**
11 **collateral, the Barclays exit price marks that**
12 **you have listed in that exhibit which runs**
13 **from page 1 to page 163, those are marks as of**
14 **9/22/2008; is that correct?**

15 (Witness reviewing document.)

16 A. I believe that's how they're
17 represented, yes.

18 **Q. And that's what you understand them**
19 **to be?**

20 A. My understanding is that the marks
21 that appear here were prepared to estimate the
22 fair value that could be realized from this
23 initial inventory and the date that was put on
24 them was 9/22.

25 **Q. Do you know whether the valuation**

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1 - P. Pfleiderer-
2 **was done as of the morning of 9/22, the close**
3 **of business of 9/22 or at different points in**
4 **time during 9/22?**

5 A. Typically you would, for prices
6 that were received from outside feeds be using
7 end of day prices. For much of this
8 inventory, that distinction is a difficult
9 distinction to make since there wasn't a
10 market. And so knowing what a punitive price
11 would have been at 11:00 a.m., and what it
12 would have been at 11:30. It's not a question
13 that's well posed, or at least not answerable.

14 **Q. Where third-party sources were used**
15 **by Barclays to compute an as of 9/22/08 price,**
16 **your understanding were those were close of**
17 **business 9/22 prices; is that right?**

18 A. I would have to go back and look at
19 all the outside sources that were used. Some
20 may have been representing something else than
21 close of business. But my understanding is
22 that most would have been -- it would be
23 called closing prices.

24 **Q. Do you have an opinion, sir, as to**
25 **whether the correct valuation time was close**

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1 - P. Pfleiderer-
2 **of business on the 22nd or the open of**
3 **business on the 22nd, or do you have no**
4 **opinion as to that topic?**

5 MR. SHAW: Objection to form.

6 **Q. With respect to the initial**
7 **inventory.**

8 MR. SHAW: Objection to form.
9 Vague as to what purpose.

10 A. Could you repeat the question just
11 so I understand it completely?

12 (Record read as follows:

13 "Question: Do you have an opinion,
14 sir, as to whether the correct
15 valuation time was close of business on
16 the 22nd or the open of business on the
17 22nd, or do you have no opinion as to
18 that topic? With respect to the
19 initial inventory.")

20 A. The opinions that I'm offering in
21 my report relate to the valuation of the repo
22 capital both that was received in the initial
23 inventory and that was received later and
24 establishing an upper bound on what that value
25 might have been.

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1 - P. Pfleiderer-
2 The question you're asking as to
3 whether the valuation should have been done
4 early in the morning, in the afternoon,
5 beginning of business, end of business, was
6 not relevant for forming opinions about upper
7 bounds on value. Because much of this
8 inventory, first of all, didn't have prices at
9 all and the intra-day price valuation for that
10 we did on the 22nd is sufficiently small that
11 it wouldn't have affected my overall opinion.

12 And my understanding of how marks
13 are typically given -- there may be exceptions
14 to this, but marks are typically based when
15 price are available on closing prices.

16 I should add that my understanding
17 of this is that these prices and the pricing
18 that was done by Barclays was done using their
19 normal processes. So it was not done as an
20 exception from their normal processes but
21 rather it was done with what they would do in
22 the normal course of business.

23 **Q. Is there any part of the Barclays**
24 **pricing policy that addresses the acquisition**
25 **of 40 or \$50 billion worth of collateral?**

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<p>1 - P. Pfleiderer-</p> <p>2 MR. SHAW: Objection to form.</p> <p>3 A. I can only say that the documents</p> <p>4 that I've read, and it was not surprising that</p> <p>5 this was the case, don't address such an event</p> <p>6 because I assumed that when they were written,</p> <p>7 such an event was not foreseen as a likely</p> <p>8 possibility that would have to be addressed.</p> <p>9 Now, it is possible that there are</p> <p>10 other documents relating to policy that would</p> <p>11 address that, but I would rather doubt it.</p> <p>12 Q. None that you have seen that would</p> <p>13 address it?</p> <p>14 A. I have not seen anything.</p> <p>15 Q. In your earlier answer you said</p> <p>16 that part of the exercise that you've</p> <p>17 undertaken is to value the Fed Repo</p> <p>18 Replacement collateral, correct?</p> <p>19 MR. SHAW: Objection.</p> <p>20 Mischaracterizes part of his testimony.</p> <p>21 Q. Isn't that what you said you have</p> <p>22 done?</p> <p>23 A. What I said is I went through an</p> <p>24 analysis that resulted in what I considered an</p> <p>25 upper bound on the value that one would place</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 on it from an economic point of view.</p> <p>3 Q. As of what date?</p> <p>4 A. Well, that's a difficult question</p> <p>5 to answer when you consider the complexity of</p> <p>6 what this actually entailed. Some of the repo</p> <p>7 capital came in in September, and some of it</p> <p>8 came in in December. So it is my opinion that</p> <p>9 it was appropriate to judge, or value, I</p> <p>10 should say -- again as an upper bound -- the</p> <p>11 repo capital that was received as of December</p> <p>12 as of a December date and not as of a</p> <p>13 September date.</p> <p>14 So because of the complexity of</p> <p>15 what actually occurred, there is not a single</p> <p>16 date involved here.</p> <p>17 Q. Putting aside those two big</p> <p>18 buckets, the September collateral and the</p> <p>19 December collateral, within the September</p> <p>20 collateral, what was the appropriate date in</p> <p>21 your view to value that collateral to</p> <p>22 establish, as you say, an upper bound of a</p> <p>23 value of the September collateral?</p> <p>24 MR. SHAW: Objection to form.</p> <p>25 A. Could you read the question again?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
Page 132	Page 133
<p>1 - P. Pfleiderer-</p> <p>2 (Record read as follows:</p> <p>3 "Question: Putting aside those two</p> <p>4 buckets, the September collateral and</p> <p>5 the December collateral, within the</p> <p>6 September collateral, what was the</p> <p>7 appropriate date in your view to value</p> <p>8 that collateral to establish, as you</p> <p>9 say, an upper bound of a value of the</p> <p>10 September collateral?")</p> <p>11 A. My understanding is that Barclays</p> <p>12 represented this as a valuation that was done</p> <p>13 on the 22nd using marks that would be applied</p> <p>14 on the 22nd. Although, as I indicated, given</p> <p>15 that there were a number of securities in this</p> <p>16 inventory for which there was no pricing data</p> <p>17 available on the 22nd from vendors or from</p> <p>18 thickly traded markets, it was appropriate for</p> <p>19 Barclays to use realized exit prices soon</p> <p>20 after the acquisition to reflect the best</p> <p>21 estimate of what the realized value would be,</p> <p>22 since there is very little information</p> <p>23 available about pricing. And it was</p> <p>24 appropriate to weight an actual sale as having</p> <p>25 more value in indicating the realized value,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 putting more weight on that, than an estimate</p> <p>3 of what the value would have been on the 22nd</p> <p>4 using the fact that there was no information</p> <p>5 available at the time.</p> <p>6 Q. What --</p> <p>7 A. I should say no trade information;</p> <p>8 no active market that was giving you up-to-</p> <p>9 date transaction prices.</p> <p>10 Q. In one of your earlier answers you</p> <p>11 said there was, with respect to certain of</p> <p>12 these September security, very little</p> <p>13 intra-day price movement on September 22nd</p> <p>14 with respect to those securities. Do you</p> <p>15 recall speaking to that?</p> <p>16 A. No, I don't believe I said that.</p> <p>17 Q. Well, did you do any analysis to</p> <p>18 see how much intra-day price movement there</p> <p>19 was for any of the September securities?</p> <p>20 A. I don't believe that I did any such</p> <p>21 analysis. I certainly am aware of intra-day</p> <p>22 price movements in equities in particular</p> <p>23 since my firm deals with that as a matter of</p> <p>24 course, but I did not do a specific analysis</p> <p>25 for the 22nd of September for particular</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 CUSIPs.

3 **Q. The transaction, the Asset Purchase**
4 **Agreement, closed prior to the open of the**
5 **markets on September 22nd, correct?**

6 A. That is my understanding, yes.

7 **Q. And you are aware that the APA**
8 **provides that all legal title to the**
9 **transaction and the assets transferred to**
10 **Barclays, transferred as of 12:01 a.m. on the**
11 **22nd, correct?**

12 A. Again, that was my understanding.
13 And it was important that it be completed
14 before markets opened.

15 **Q. Did you have a view as to whether**
16 **or not it would be more appropriate to use**
17 **September 19th close of business valuations**
18 **for the securities that were transferred to**
19 **Barclays in September 2008?**

20 A. Well, I think the simple answer to
21 that is no, absolutely not. You didn't have
22 the assets. As you said in your preface to
23 your question, assets did not transfer until
24 12:01.

25 So in answering the question what
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1 - P. Pfleiderer-

2 could Barclays reasonably be expected to exit
3 particular assets at, if it didn't have legal
4 title to those on Friday, it seems -- as an
5 economist and also as a lawyer, but I'll
6 specifically speak as an economist, that if
7 you didn't have a security available because
8 you didn't own it on September 19th, then you
9 couldn't sell it.

10 **Q. Let's take that example of that**
11 **security that you got legal title to at 12:01**
12 **a.m. on Monday, September 22nd. You could**
13 **sell that the second the market is opened,**
14 **correct?**

15 A. Well, I think here we start to make
16 a distinction between a fire sale price.

17 **Q. I'm not asking you about dumping**
18 **all of them.**

19 MR. SHAW: Please let him finish.

20 MR. TAMBE: If he answers my
21 question, I will be happy to let him
22 finish. If he goes off on these long
23 side excursions, then I am going to
24 interrupt him because it is wasting his
25 time and our time and it is not getting

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1 - P. Pfleiderer-
2 to what is a very simple and very
3 straightforward question.

4 **Q. Do you have my question in mind,**
5 **sir?**

6 A. I do not.

7 MR. TAMBE: Please read it back.

8 (Record read as follows:

9 "Question: Let's take that example of
10 that security that you got legal title
11 to at 12:01 a.m. on Monday, September
12 22nd. You could sell that the second
13 the markets opened, correct?")

14 A. I can't answer that question
15 because if you're saying that asset, are you
16 talking about the entire repo capital?

17 **Q. Any one of them. Any one of the**
18 **CUSIPs?**

19 A. Which one?

20 **Q. Take the smallest one. Take a**
21 **\$15,000 position in an equity position,**
22 **corporate.**

23 A. If it was traded in an equity
24 market for which there was active trading, you
25 might be able to trade it maybe not the second

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1 - P. Pfleiderer-

2 the market opens, but you could trade it that
3 day. If it was a small amount -- and again, I
4 recall -- I believe it was either Gary Romain
5 or Stephen King saying that some of the
6 positions, they had referenced a position for
7 which the amount that they had was 400 times
8 the average daily volume so.

9 But conditioned on it being a very
10 small position, then that may be true. But
11 for establishing how to value the entire repo
12 capital, that's not relevant for almost the
13 bulk of the repo capital.

14 So that's why I asked, are you
15 talking about selling an individual security
16 or are you actually trying to do what was
17 being done here, establish a value for the
18 entire repo capital?

19 **Q. Well certainly, sir, would you not**
20 **agree with me that one of the ways to**
21 **establish the value of the entire repo capital**
22 **is to do it CUSIP by CUSIP?**

23 A. Which is what Barclays did.

24 **Q. And if you did it CUSIP by CUSIP,**
25 **there certainly would be some positions which**

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1 - P. Pfleiderer-
2 were not overly large or overly illiquid,
3 that, in fact, you could do an orderly sale or
4 an exit of that position on Monday morning as
5 soon as the markets opened, correct?

6 A. It's possibly that that would be
7 true of some of the positions. And if you
8 point me to a particular one, if it was 5,000
9 shares or a hundred shares of IBM, then I
10 certainly wouldn't argue with you at all. I
11 certainly wouldn't disagree.

12 But if it was a bigger position in
13 a stock that wasn't thickly traded, then I
14 can't agree with you because it wouldn't be
15 true.

16 Q. Did you do any such analysis to try
17 to distinguish which of these positions could
18 have been traded at first thing Monday morning
19 and which ones could not have been?

20 A. I personally did no such analysis
21 because, again, it wouldn't have been relevant
22 to the opinions that I formed.

23 Q. Did you make any effort to try and
24 value all of the fed repo capital as of a
25 September 19th close of business valuation

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1 - P. Pfleiderer-
2 date?

3 A. No. Because as I just indicated, I
4 don't think that that would be at all
5 appropriate because that would be predicated
6 on the notion that you could sell something
7 that you didn't have. The transaction hadn't
8 closed. So it would not have been appropriate
9 to do that.

10 Q. Did you make an effort to try and
11 see how much the markets for any, any of the
12 September securities moved between
13 September 19th close of business and September
14 22nd close of business?

15 A. No. And for the reason I just
16 articulated, it wouldn't have been relevant.

17 Q. In your report, Exhibit 633-A, if
18 you could turn to page 10, please.

19 (Witness complying.)

20 Q. Footnote 18 in particular, I want
21 to draw your attention to the second-to-last
22 sentence of that footnote which begins "to
23 fill the shortfall." Do you see that?

24 A. I do.

25 Q. And that reads, "To fill the
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1 - P. Pfleiderer-
2 shortfall, additional LBI securities from
3 outside the fed repo collateral are pledged to
4 Barclays." I'm going to stop there.

5 Do you see that?

6 A. I do.

7 Q. Do you know who made the decision
8 to select particular LBI securities from
9 outside the fed repo collateral to pledge to
10 Barclays as you state there in Footnote 18?

11 A. I read quite a bit of deposition
12 testimony of what happened after the repo took
13 place on the 18th, and as it developed over
14 that weekend. And I recall that I believe Ian
15 Lowitt and Alex Kirk and others at Lehman were
16 involved in some way in identifying -- in
17 identifying securities that could be
18 transferred, but my recollection may not be
19 completely accurate. I have to go back and
20 review -- review the record.

21 I also remember that there were
22 e-mails that were sent within Lehman relating
23 to this, but I don't remember the particular
24 people that were addressed on those e-mails by
25 name. But I recall seeing some of those.

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1 - P. Pfleiderer-
2 Q. Is it your understanding, sir, with
3 respect to any of the collateral that was
4 transferred from J.P. Morgan to Bank of New
5 York on the night of the 18th, that any of
6 that was selected by Mr. Lowitt or Mr. Kirk or
7 others which fits this category of "additional
8 LBI securities from outside the fed repo
9 collateral being pledged to Barclays"?

10 A. My recollection was that there was
11 a process of identifying securities that could
12 be transferred. And as I believe is
13 reasonable and usual in such a case, there is
14 also a requirement that the party receiving
15 that collateral, in this case Bank of New York
16 and ultimately Barclays, would have some
17 discretion as to what was -- was acceptable
18 for that -- I don't know if it's appropriate
19 to call it "replacement." But securities that
20 were being used, given that some of those
21 securities that were part of the original fed
22 repo were not deliverable.

23 Again, I read -- I read a fair
24 amount of testimony about this, but I don't
25 remember the exact particular.

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<p>1 - P. Pfleiderer-</p> <p>2 Q. The securities that you are</p> <p>3 alluding to, both in Footnote 18 and in your</p> <p>4 answers, are those securities, securities that</p> <p>5 are sometimes referred to as Schedule B</p> <p>6 securities?</p> <p>7 A. No. The Schedule B securities were</p> <p>8 delivered outside of the repo capital.</p> <p>9 Q. So you are still talking about</p> <p>10 securities that were delivered within the fed</p> <p>11 repo collateral?</p> <p>12 A. What happened here is that a set of</p> <p>13 securities came over that were part of -- were</p> <p>14 labeled the repo capital, the repo collateral,</p> <p>15 and those came over in basically two tranches,</p> <p>16 two inventories: one on the 19th, delivered as</p> <p>17 the initial inventory that eventually was</p> <p>18 identified and also on December 22nd in terms</p> <p>19 of the J.P. Morgan settlement.</p> <p>20 My understanding is that the</p> <p>21 Schedule B assets are distinct, and that's why</p> <p>22 I took them out of the initial inventory.</p> <p>23 Q. So when you're referring to "fill</p> <p>24 this shortfall, additional LBI securities,"</p> <p>25 you're not alluding to the Schedule B</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 securities there, you're alluding to</p> <p>3 Schedule A securities; is that right?</p> <p>4 (Witness reviewing document.)</p> <p>5 A. Well, I can tell you the process</p> <p>6 that I went through -- and that's the only way</p> <p>7 that this actually affects any of my</p> <p>8 opinions -- identified what was in the</p> <p>9 original inventory that was repo'ed by taking</p> <p>10 what was there and subtracting off what was on</p> <p>11 Schedule B.</p> <p>12 So the set of securities that were</p> <p>13 received in the initial inventory minus those</p> <p>14 securities that are identified on Schedule B</p> <p>15 is what I'm considering the initial repo</p> <p>16 capital -- the initial repo collateral.</p> <p>17 Q. You are answering a slightly</p> <p>18 different question than the one I had. I'm</p> <p>19 still talking about securities that came over</p> <p>20 as part of the fed repo.</p> <p>21 You state in Footnote 18 there was</p> <p>22 a shortfall of securities that were coming</p> <p>23 over from JPM to Bank of New York, correct?</p> <p>24 A. That was my understanding based on</p> <p>25 several things that were happening.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
Page 144	Page 145
<p>1 - P. Pfleiderer-</p> <p>2 Q. And that shortfall was filled in,</p> <p>3 you say, by LBI securities from outside the</p> <p>4 fed repo collateral; is that right?</p> <p>5 MR. SHAW: Objection to form.</p> <p>6 A. I don't understand all of the</p> <p>7 particulars of the process and how everything</p> <p>8 was categorized. What I do understand, if I</p> <p>9 can use the phrase "when the dust settled,"</p> <p>10 there were a set of securities that were</p> <p>11 delivered in the initial inventory and a</p> <p>12 portion of those were labeled Schedule B. And</p> <p>13 what remained, if you subtract that off, is</p> <p>14 Schedule A which I take to be what was in the</p> <p>15 repo capital -- excuse me, I keep misspeaking.</p> <p>16 The repo collateral.</p> <p>17 Q. With respect to the securities that</p> <p>18 came over on the night of the 18th, is it your</p> <p>19 understanding that any portion of those were</p> <p>20 securities that were selected or identified by</p> <p>21 J.P. Morgan as opposed to Mr. Kirk or</p> <p>22 Mr. Lowitt or anyone else at Lehman?</p> <p>23 A. My recollection is that -- my</p> <p>24 recollection may be faulty here. But my</p> <p>25 recollection was there was a message from</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 J.P. Morgan to Lehman when the first</p> <p>3 \$5 billion payment was received.</p> <p>4 And my recollection is that</p> <p>5 J.P. Morgan asked someone at Lehman which</p> <p>6 securities to deliver, and the message was,</p> <p>7 "Deliver them in any order, or deliver any</p> <p>8 securities," meaning any in the repo. And</p> <p>9 J.P. Morgan misunderstood that and included</p> <p>10 securities that weren't in the fed repo.</p> <p>11 But my -- that's my recollection.</p> <p>12 I haven't reviewed that recently, but that's</p> <p>13 my recollection based upon my reading of some</p> <p>14 of the depositions.</p> <p>15 Q. Those securities that you just</p> <p>16 described that were identified by J.P. Morgan,</p> <p>17 are any of those securities the securities</p> <p>18 you're referring to in Footnote 18 as "LBI</p> <p>19 securities as outside the fed repo</p> <p>20 collateral"?</p> <p>21 A. The only way that I could</p> <p>22 definitively answer that is to have all the</p> <p>23 CUSIPs that are now in Schedule A and have all</p> <p>24 the CUSIPs that were in the fed repo, the</p> <p>25 original fed repo.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 146</p> <p>1 - P. Pfleiderer-</p> <p>2 My understanding based upon</p> <p>3 everything I've read is that Schedule A</p> <p>4 securities is not equal to the securities that</p> <p>5 were in the fed repo, or a proper subset of</p> <p>6 that; that it contains securities that are not</p> <p>7 in the original fed repo. That's my</p> <p>8 understanding.</p> <p>9 Q. Did you do any independent analysis</p> <p>10 of the fed repo securities versus the Schedule</p> <p>11 A securities to determine to what extent there</p> <p>12 was an overlap either by number of CUSIPs or</p> <p>13 value?</p> <p>14 A. I did not because it wasn't</p> <p>15 terribly relevant to my major opinions, which</p> <p>16 have to do with the value of what was actually</p> <p>17 received.</p> <p>18 Q. If you turn to Paragraph 25 of your</p> <p>19 report. If I'm correct, in Paragraph 25 of</p> <p>20 your report, you are identifying what we've</p> <p>21 looked at before, which is the exhibits that</p> <p>22 appear in Exhibit 634-A, the Volume II of your</p> <p>23 expert report; is that correct?</p> <p>24 (Witness reviewing document.)</p> <p>25 Q. Turn to Paragraph 27 in your</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 147</p> <p>1 - P. Pfleiderer-</p> <p>2 report. About halfway down that paragraph,</p> <p>3 the sentence that begins "no doubt." Do you</p> <p>4 see it?</p> <p>5 A. I do.</p> <p>6 Q. You state there, "No doubt some of</p> <p>7 the positions that transferred to Barclays</p> <p>8 were relatively easy to value..." And then it</p> <p>9 goes on.</p> <p>10 Could you tell us by number of</p> <p>11 CUSIPs or value of positions what proportion</p> <p>12 or amounts of the positions that were</p> <p>13 transferred to Barclays were, in your view,</p> <p>14 "relatively easy to value"?</p> <p>15 (Witness reviewing document.)</p> <p>16 A. Since I didn't define in a precise</p> <p>17 way what "relatively easy to value" is, there</p> <p>18 is a continuum here from "very easy". Again,</p> <p>19 we can go back to the small number of shares</p> <p>20 of IBM traded in a thick market to some of the</p> <p>21 securities that ended up in the PMTT</p> <p>22 inventory.</p> <p>23 If we can agree on a way to define</p> <p>24 where along that spectrum you wanted to be,</p> <p>25 then in principle it would be possible to go</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 148</p> <p>1 - P. Pfleiderer-</p> <p>2 back in and identifying securities as falling</p> <p>3 in one side of the line as the other, and give</p> <p>4 a number of CUSIP or a value based upon marks</p> <p>5 placed by BoNY or marks placed by the Price</p> <p>6 Control Group and ultimately on the</p> <p>7 acquisition balance sheet.</p> <p>8 Q. I'm not asking you to do any</p> <p>9 additional work. I'm just asking you: Did</p> <p>10 you, in fact, do that work?</p> <p>11 A. No, because I didn't define that</p> <p>12 line. I guess the answer to my question is</p> <p>13 given that there was no defined line between</p> <p>14 "relatively easy to value" and "relatively not</p> <p>15 easy to value" I didn't do that exercise.</p> <p>16 Q. What kind of factors would go into</p> <p>17 your definition, if you were to define</p> <p>18 "relatively easy to value"? Availability of</p> <p>19 actual transaction data from public sources,</p> <p>20 is that something that makes it relatively</p> <p>21 easy to value?</p> <p>22 A. There are a number of ways that one</p> <p>23 could go about coming up with a definition.</p> <p>24 And there is no definitive way to do that.</p> <p>25 But you could, first of all, ask whether there</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 149</p> <p>1 - P. Pfleiderer-</p> <p>2 are quotes available or whether there are not.</p> <p>3 You could actually -- just to back</p> <p>4 up for a moment, you could take the accounting</p> <p>5 profession's distinction of Level 1, Level 2</p> <p>6 or Level 3. And I do that somewhat indirectly</p> <p>7 here by looking at the Lehman marks -- excuse</p> <p>8 me. The Lehman classifications for what was</p> <p>9 in its inventory.</p> <p>10 So that would be one way to just</p> <p>11 say that what we will call "relatively easy to</p> <p>12 value" is Level 1. Although I would quickly</p> <p>13 say that within Level 1, there would be a ring</p> <p>14 there as well. But that's a distinction that</p> <p>15 would be easy to implement to the extent that</p> <p>16 the securities are divided into Level 1, Level</p> <p>17 2, Level 3.</p> <p>18 If you didn't want to accept that,</p> <p>19 then you would go and perhaps use other</p> <p>20 criteria such as are there prices available in</p> <p>21 a liquid market. Well, you have to define</p> <p>22 what you mean by a liquid market; how</p> <p>23 frequently do trades have to occur; what's the</p> <p>24 structure of the market; how many market</p> <p>25 makers. You could come up with a whole set of</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 criteria.

3 So it is not an exercise that's
4 completely defined until you define it.

5 **Q. Did you make any effort to try to**
6 **define it in any way?**

7 A. Again, I spoke about the initial
8 classification that's given by the GFS system
9 that separates things into Level 1, Level 2
10 and Level 3. So that would give an
11 indication, given that this was Lehman
12 inventory that was coming over, of what the
13 separation would be or the composition would
14 be based upon at least the Lehman's
15 distinction between Level 1, Level 2 and Level
16 3.

17 So indeed, I did. And we can find
18 that part of the report and I can get the
19 actual numbers. I don't remember them here
20 off the top of my head.

21 **Q. Under the definition of sort of**
22 **"relatively easy to value" then that you would**
23 **adopt based upon Level 1, Level 2 and Level 3,**
24 **is it your position that all Level 2 assets**
25 **are not relatively easy to value?**

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1 - P. Pfleiderer-
2 done. The information could be married up, I
3 believe, because we have CUSIPs from the GFS
4 report with the Level 1, Level 2, Level 3
5 classifications. And then we have the CUSIPs
6 that were reported, for which there were
7 trades reported by Bloomberg or at least
8 Bloomberg recognized it in the various
9 classifications there that are making here.

10 So in principle, one could do that
11 analysis, but I didn't think it was necessary
12 to do that analysis because it wouldn't have
13 in any way, changed my -- changed my opinion
14 that I'm drawing here in the report.

15 **Q. What you did on Bloomberg is you**
16 **went and looked for prices on or shortly after**
17 **September 18, 2008; am I reading that**
18 **correctly?**

19 A. Yes.

20 **Q. For which dates in particular did**
21 **you go and look for the Bloomberg prices for**
22 **any of the fed repo collateral?**

23 A. I would have to go back and check
24 exactly what was done. I believe it was on
25 the -- on the 18th. And when something didn't

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2 A. Let me correct the premise of your
3 question. I didn't say that I would adopt
4 Level 1, Level 2 or Level 3. What I said is
5 one way to answer the question would be to use
6 what accountants use. But then I said that in
7 fact, Level 1, for example, would still have a
8 variation.

9 Again, there is a continuum here.
10 So one may want to approach it in a different
11 way by -- and then I went on to specify
12 various things about number of market makers,
13 the characteristics of the market and so on
14 and so forth.

15 **Q. You go on further in your report in**
16 **paragraph 29 to talk about some work you did**
17 **looking on Bloomberg. Do you see that?**

18 A. I do.

19 **Q. Did you do any kind of analysis to**
20 **see what percentage or proportion of the**
21 **Level 1, Level 2, Level 3 assets, as defined**
22 **in GFS, had prices recorded on Bloomberg for**
23 **the date that you went looking?**

24 A. I don't believe that analysis was
25 done. But it may have been. It may have been

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2 show up on the 18th, then we looked -- then we
3 looked soon after that. But I don't recall
4 exactly what time span was.

5 **Q. So you would have looked on the**
6 **18th for at least some of them to see if they**
7 **showed up on the 18th; is that right?**

8 A. Well, the -- there was a list of
9 CUSIPs and that list was basically put into
10 Bloomberg to see what would come up. So it
11 wasn't -- there wasn't a selection process
12 where a random sample was taken.

13 **Q. You took the entire list of the**
14 **initial --**

15 A. It came in the entire list, yes.

16 **Q. The initial inventory?**

17 A. I'm afraid I'm understanding your
18 question then.

19 **Q. Let me rephrase it.**

20 You took the entire list of the
21 initial inventory, and you put it in
22 Bloomberg; is that right?

23 A. That's correct.

24 **Q. To look to see how many of those**
25 **CUSIPs were priced on the 18th; is that right?**

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A. On the 18th or shortly thereafter,
I believe is what we --

**Q. There's what I'm trying to get some
precision on. Did you do it for the 18th?**

A. That's my understanding, yes.

Q. Did you do it for the 19th?

A. I'd have to go back and check for
sure as to what happened. But I believe our
effort was -- I know our effort was to look to
Bloomberg and see what one could get prices
within a reasonable period of time of maybe a
day or two. And I don't know. I'd have to go
back and look exactly how many days were
looked at.

**Q. You state in your report, "On or
shortly after September 18th," so there is one
date that's mentioned, September 18th.**

**In the next sentence, you say you
found that Bloomberg reported an observed
transaction price on September 22nd for only
5,719 off the CUSIPs; do you see that?**

A. That's right.

**Q. So that suggests to me you did run
that list of CUSIPs on the 22nd, correct?**

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(Witness reviewing document.)

A. I'm have to going back and check as
to exactly what was done here. What's written
here which is most likely accurate because as
I recall now, the exercise was to access
Bloomberg. I think that given that the
inventory was going to be valued at the 22nd,
this sentence states what is actually stated
here, that the 5,719 is for the number that
had pricing available on the 22nd.

Q. Okay.

A. But as I recall, the effort to look
at Bloomberg pricing looked at more days, but
the number that's being quoted here is for the
22nd.

**Q. Okay. I think what we're getting
to is: There may be a CUSIP for which
Bloomberg reported a price on the 19th but not
on the 22nd, correct?**

A. That certainly is --

Q. It's possible?

A. That certainly is a possibility.
And of course, that addresses sort of the
question that we went back to before when

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talking about intra-day prices when prices are
only sporadically available is not relevant
for a lot of these securities.

**Q. I'm not even right now talking
about what the Bloomberg prices showed.**

A. Right.

**Q. Right now we're just talking about
for each of the CUSIPs, how many CUSIPs were
there prices available.**

A. Right.

**Q. And you say on September 22nd,
there was 5,719. Are there additional CUSIPs
for which a price was available on Bloomberg
on the 18th, the 19th, the 23rd? Did you
look?**

MR. SHAW: Objection to form.

A. What I did do is look to see what
could be gotten from Standard & Poors's
Capital IQ which, as I show, certainly expand
the number and did so. So instead of doing
the exercise that you're suggesting, and I did
another exercise which is to look at another
vendor.

Q. My question simply is: Did you do

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**the exercise that I'm suggesting or did you
not do the exercise that I'm suggesting?**

A. If that exercise was done, it may
have been done by staff. They were asked to
analyze this. But given that the issue was
what was available on the 22nd, I was
comfortable with instead of looking at what
you're saying, looking instead at another
vendor entirely which was Standard & Poors
Capital IQ.

**Q. So you don't know if the exercise
was done on the 19th?**

A. The exercise may have been done and
I may even have seen results of that. I'm not
sure. I don't remember them as I sit here
today. But what I focused on in this report
is how it could be expanded by looking at
Standard & Poors's Capital IQ.

**Q. A lot of things may have happened
and may not have happened. Do you know if it
happened?**

A. I don't know that it happened, no,
and I don't know that it didn't happen either.

Q. Right. You just don't know?

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2 A. That's correct.

3 **Q. Now what you did do, you talked**
4 **about it before and you say it in**
5 **Paragraph 30, you went to Capital IQ and you**
6 **did the same exercise on Capital IQ for**
7 **the 22nd; is that correct?**

8 A. That's correct.

9 **Q. Do you know whether you did that**
10 **pricing exercise on Capital IQ for any dates**
11 **other than September 22nd?**

12 A. No, I do not know. I don't know
13 whether it was done or whether it was not
14 done. But I'm not aware of it sitting here
15 today one way or another.

16 **Q. Did you consider using any other**
17 **services other than Bloomberg and Capital IQ?**

18 A. I think we may have talked about
19 potentially other services, but these are two
20 of the main ones. Again, it may be that other
21 services were used, but I don't know whether
22 they were or not.

23 **Q. You know that Barclays, for certain**
24 **of the CUSIPs, used other third-party**
25 **services, correct?**

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2 A. That's correct.

3 **Q. You've seen that on the**
4 **spreadsheet, there is names listed of other**
5 **pricing services, right?**

6 A. Correct.

7 **Q. And Markit, that's one of the**
8 **services that Barclays referenced?**

9 A. That's correct.

10 **Q. Did you try to use any of the**
11 **third-party pricing services that Barclays**
12 **used to price its collateral, to see what they**
13 **showed?**

14 A. If that was done, I didn't report
15 it here. My only point in recording it here
16 on both Bloomberg and the Standard & Poors
17 Capital IQ is to show that with these two
18 vendors that covered quite a bit of the
19 universe, there are a lot of securities that
20 weren't covered by those two. So what it says
21 is what it says. I certainly wasn't saying
22 that these were the only two services that was
23 available and I'm well aware that other
24 services were used such as Markit.

25 **Q. In paragraph 29 and 30, you are**

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2 **counting up numbers of CUSIPs that are covered**
3 **by those two services, Bloomberg and Capital**
4 **IQ, right?**

5 A. That's correct.

6 **Q. Did you do an analysis to see what**
7 **portion of the value was being covered by**
8 **those reported prices on the 22nd?**

9 A. Indeed, I did.

10 **Q. Okay.**

11 A. And it's in the bottom of
12 Paragraph 30, for example, where it says
13 that -- "just using Barclays exit price mark
14 as I did above," and this was done for
15 Bloomberg, it is also being done for Standard
16 & Poors Capital IQ, "I find that the CUSIP
17 positions for which Capital IQ reports no
18 price account for almost 40 percent of the
19 aggregate value of the securities that
20 transferred to Barclays in the Fed Replacement
21 Repo."

22 So it was done for both number of
23 CUSIPs and also by value as put on it by
24 Barclays.

25 **Q. And did you keep a report or record**

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2 **of what prices you saw for those CUSIPs for**
3 **which Bloomberg and Capital IQ reported prices**
4 **on the 22nd?**

5 A. That I don't know. I'm not sure --
6 I'm not sure how the information was brought
7 in, whether the information was brought in
8 with a price or whether the information was
9 just brought in that there was a price
10 available, a dummy variable, if you will, zero
11 to one, and whether the price was preserved.
12 We can go back and check and see what data
13 exists on that.

14 **Q. Did you give your staff any**
15 **instructions as to whether to preserve or not**
16 **preserve the prices they observed on Bloomberg**
17 **and Capital IQ?**

18 A. As I understood what we were doing
19 is we were getting a record of whether the
20 CUSIP showed up, whether it was recognized;
21 whether there was pricing available and
22 whether there was not.

23 I didn't understand, or I don't
24 know whether that query turned up actual
25 prices or whether it turned up something that

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<p>1 - P. Pfleiderer-</p> <p>2 indicates that prices were available. So I</p> <p>3 would have to check to see if that -- check to</p> <p>4 see how the data came in.</p> <p>5 Q. And these calculations of 53</p> <p>6 percent in paragraph 29 and 40 percent in</p> <p>7 paragraph 29 and other percentages that appear</p> <p>8 on Paragraph 30, is that the result of some</p> <p>9 type of a spreadsheet that calculated numbers?</p> <p>10 A. Yes. It was done basically by</p> <p>11 identifying a CUSIP as either having a price</p> <p>12 available or not. And then taking those</p> <p>13 CUSIPs that did not have prices available from</p> <p>14 one of these vendors or the other. So if</p> <p>15 we're looking at Standard & Poors's Capital</p> <p>16 IQ, identifying CUSIPs that didn't have the</p> <p>17 price available from that service and then</p> <p>18 adding up the values that were assigned by</p> <p>19 Barclays in the acquisition balance sheet.</p> <p>20 Q. Did you make any effort, either</p> <p>21 yourself or through your staff, to compare the</p> <p>22 Bloomberg and Capital IQ prices to either the</p> <p>23 BoNY prices or the Barclays valuation prices?</p> <p>24 A. I'm not aware that that exercise</p> <p>25 was done.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Q. Why not?</p> <p>3 A. I'm sorry?</p> <p>4 Q. Why not?</p> <p>5 A. Because I assumed and saw that</p> <p>6 where prices were available, that's what</p> <p>7 Barclays was using. They were the going</p> <p>8 prices from outside vendors.</p> <p>9 Q. Did you check to see whether the</p> <p>10 prices they claim to be getting from outside</p> <p>11 vendors were, in fact, the prices you were</p> <p>12 seeing when you ran these CUSIPs through</p> <p>13 Bloomberg and Capital IQ? Did you do that</p> <p>14 check?</p> <p>15 A. That may have been done, but I'm</p> <p>16 not aware that it was done systemically. But</p> <p>17 it may have been done. But I'm not aware of</p> <p>18 it.</p> <p>19 Q. So things may have been done;</p> <p>20 you're not aware of it being done?</p> <p>21 A. I'm not aware of it, yes.</p> <p>22 Q. I'm trying to understand the math</p> <p>23 you set forth in paragraph 31.</p> <p>24 In Paragraph 29 and 30 you used</p> <p>25 a 40 percent number to talk about the value,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 the aggregate value of the securities for</p> <p>3 which no price is available. But in 31 you</p> <p>4 combine the Bloomberg pricing and the Capital</p> <p>5 IQ pricing; is that right?</p> <p>6 A. That's right. We take the super</p> <p>7 set of those.</p> <p>8 Q. And once you combine the super set</p> <p>9 of those, now there is something a little more</p> <p>10 than 23 percent of the total fair value of the</p> <p>11 repo collateral using Barclays' valuation for</p> <p>12 which you don't have Bloomberg or Capital IQ</p> <p>13 prices; is that right?</p> <p>14 A. That's correct.</p> <p>15 Q. So for more than three-quarters,</p> <p>16 you do?</p> <p>17 A. For 72 percent.</p> <p>18 Q. 72 percent? I'm sorry about my</p> <p>19 math. We're trying to add it to 100 percent,</p> <p>20 right?</p> <p>21 A. I'm sorry. I'm sorry. I was</p> <p>22 looking at the wrong number. 77 percent.</p> <p>23 Q. So more than three-quarters?</p> <p>24 A. Yes.</p> <p>25 Q. All right. Let's go to</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Paragraph 32. At the end of Paragraph 32,</p> <p>3 you've got this calculation of Level 1, Level</p> <p>4 2, Level 3 that you talked about before off of</p> <p>5 GFS, correct?</p> <p>6 A. That's correct.</p> <p>7 Q. Just following your numbers here,</p> <p>8 you got 4,000 categorized as Level 1. Do you</p> <p>9 see that?</p> <p>10 A. Yes.</p> <p>11 Q. And you've got 19,800 categorized</p> <p>12 as Level 2?</p> <p>13 A. That's correct.</p> <p>14 Q. And another 2,100 categorized as</p> <p>15 Level 3, correct?</p> <p>16 A. Yes.</p> <p>17 Q. This is not the population of</p> <p>18 CUSIPs that was actually acquired by Barclays,</p> <p>19 right?</p> <p>20 A. No, it is not.</p> <p>21 Q. This is some other larger</p> <p>22 population that was on Lehman's books on</p> <p>23 September 12th, right?</p> <p>24 A. That's correct.</p> <p>25 Q. And as part of the sales process,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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2 **Barclays picked and chose what securities it**
3 **wanted to purchase and there were some that it**
4 **told Lehman it did not want to purchase,**
5 **correct?**

6 A. Again, I'd have to go back and read
7 the deposition testimony exactly how things
8 were sorted out in that process. But what I
9 know is what was on Schedule A.

10 **Q. Did you read the analyst conference**
11 **call transcript for the announcement of the**
12 **transaction?**

13 A. Yes.

14 **Q. This is the Barclays announcement?**

15 A. Right. Right.

16 **Q. Do you recall reading in there the**
17 **senior management of Barclays talking about**
18 **how they de-risked the portfolio they were**
19 **acquiring?**

20 MR. SHAW: You mean the portfolio
21 they intended to acquire?

22 MR. TAMBE: Do you want me to swear
23 you in and you can start testifying?

24 MR. SHAW: You're asking misleading
25 questions.

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2 MR. TAMBE: Let him finish.

3 A. It's been a while since I've read
4 that portion of the transcript. I have to go
5 back and look at exactly what is said. I
6 don't remember exactly how it was said or what
7 the context was.

8 **Q. Are you aware generally that**
9 **efforts were made by Barclays to try to**
10 **de-risk the portfolio they were acquiring?**

11 MR. SHAW: Objection to form.

12 Vague as to time.

13 A. I'm not even sure what "de-risk"
14 actually means. I know that hedging was going
15 to be done. I know that -- I know that
16 initially there was, in the APA a specific
17 contractual term, a specific part of that
18 contract that said that only 50 percent of the
19 RESIs would be acquired. So I have -- I'm not
20 quite sure. I have to go back and look at the
21 context to understand exactly what was being
22 referred to in that conference recall.

23 **Q. Did you do any analysis to try and**
24 **quantify the relative riskiness of the**
25 **portfolio eventually, actually acquired by**

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2 **Barclays versus the portfolio they intended to**
3 **acquire?**

4 MR. SHAW: Again, objection. Vague
5 as to time.

6 A. I certainly did no full scale
7 analysis that would have involved one set of
8 CUSIPs and the CUSIPs that they actually got
9 and looking at the differences between those.
10 So if there's -- and I don't believe this
11 exists.

12 But if there's a set of CUSIPs that
13 relate to what they intended to acquire and
14 then what they did acquire, which, of course,
15 is Schedule A and Schedule B in the
16 J.P. Morgan settlement [sic], one could
17 potentially do some evaluation of the risk
18 profile of one or the other.

19 But I'm not sure the first set of
20 CUSIPs is even well defined. I'm not sure.

21 MR. SHAW: I just note that there
22 is a transcription error. Did you mean
23 to say Schedule A and Schedule B on the
24 J.P. Morgan settlement or and the
25 J.P. Morgan settlement?

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2 THE WITNESS: And the J.P. Morgan
3 settlement.

4 **Q. Turn to Paragraph 42 of your**
5 **report.**

6 **The leading sentence of**
7 **Paragraph 42 you state, "Having analyzed**
8 **JPMorgan Chase's marks and the Bank of New**
9 **York's marks for many of the esoteric and**
10 **illiquid securities transferred in the Fed**
11 **Replacement Repo, I conclude that many of them**
12 **were in fact inaccurate, often significantly**
13 **so."**

14 **With respect to JPMorgan Chase's**
15 **mark, can you tell me can you tell me single**
16 **CUSIP or security for which you believe the**
17 **JPMorgan Chase mark was inaccurate?**
18 **(Witness reviewing document.)**

19 A. I certainly don't remember a
20 specific number. I have to go back and think
21 about deposition testimony and relate it to
22 claims about the J.P. Morgan marks and the
23 BoNY marks, and it had CUSIP numbers there.
24 So I don't have a CUSIP number to offer at
25 this point.

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Q. Even if you don't have CUSIP numbers, even generally, is there a particular security you have in mind or class of securities that you believe JPMorgan Chase marked inaccurately? Not BoNY, JPMorgan Chase.

A. I have to --

MR. SHAW: Objection to form.

A. -- go back. I have to go back and look.

Q. Did you look at the custodial agreements that were signed by JPMorgan Chase and by Bank of New York?

A. I didn't look at them in great detail. I do recall seeing -- seeing something, but I didn't look at it in great detail.

Q. Do you have any understanding with respect to JPMorgan Chase what the scope was of their contractual duties to value securities as custodial agent?

A. Not in the basis of a thorough reading of a contract, no.

Q. Same question for Bank of New York.

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Do you have an understanding as to what their contractual duties were to value securities as a custodial agent?

A. Not on the basis of a thorough reading of the contract, no.

Q. Did you ask for a copy of J.P. Morgan's securities pricing policies?

A. I personally did not, and I don't know whether staff working in my direction did or did not.

Q. How about Bank of New York, did you ask to see their pricing policies?

A. Same answer as before.

Q. You did not?

A. I did not. And it may or may not be the case that staff working in my direction had looked at that.

Q. In the course of your work, you don't recall ever seeing such policies from J.P. Morgan or Bank of New York for this assignment?

A. I'm pretty sure I did not see any policies. I've looked at Barclays policies, but I don't believe I've seen either

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J.P. Morgan or Bank of New York policies.

Q. By the way, did you ever ask to see Lehman's policies?

A. I'm not sure I've seen any documents relating to their policies either. I may have, but I don't believe so.

Q. We talked a couple of times about GFS data. Do you recall making specific requests for Barclays to provide you with GFS data?

A. Staff working at my direction did, yes.

Q. Is it your understanding that you made request for runs to be created pulling certain specific data from the GFS system?

A. That was my understanding, yes.

Q. And it is your understanding that the GFS system that used to belong to Lehman now resides physically at Barclays, correct?

A. That's my understanding, yes.

MR. SHAW: Jay, whenever, we can use a short break.

THE WITNESS: I could use one.

MR. TAMBE: Since you asked for it,

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we can give you one.

(Whereupon, a recess was taken from 2:09 p.m. to 2:17 p.m.)

BY MR. TAMBE:

Q. One of the conclusions in your report, sir, is that the GFS data is not a reliable source of pricing information because it was sticky, correct?

A. That was one of the reasons, yes.

Q. And you set out in your report a couple of tables where you seek to demonstrate the stickiness of the GFS data, correct?

A. Yes, there are two tables in the back of the report.

Q. Let's go to those tables. Let's go first to Exhibit 4, which is page 125 of Exhibit 633-A. If you just want to put a sticky there so we can hold that page.

MR. SHAW: What page is the schedule?

MR. TAMBE: 125. I'll give you some stickies, too.

MR. SHAW: Thank you.

Q. The reason I'm asking you to put a

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2 sticky there, if you can go back to the body
3 of your report, Paragraph 39, you describe in
4 Paragraph 39 what you're doing in Exhibit 4
5 and 5, so I may want you to toggle back and
6 forth there.

7 A. Sure.

8 Q. It is page 24.

9 (Witness reviewing document.)

10 Q. So in Paragraph 39, you set forth
11 the methodology you followed to generate the
12 table that is Exhibit 4, correct, as well as
13 Exhibit 5?

14 A. That's correct.

15 Q. And if I understand what was done
16 to generate Exhibit 4 is you took from the
17 September 12, GFS data all securities marked
18 as Level 3 securities and which had an
19 indicated value of greater than \$20 million,
20 and then you looked to see if those prices had
21 changed within GFS subsequent to the 12th; is
22 that right?

23 A. That is correct.

24 Q. What GFS population did you run
25 that search on? Let me be more precise.

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2 Did you run that GFS search on all
3 securities on GFS on the 12th or did you run
4 that search only with respect to those
5 securities that Barclays eventually acquired?

6 A. My recollection is on all
7 securities in GFS that met those two
8 criterias. But looking here at the list, I
9 recognize a number of these as ones that ended
10 up being in the collateral or the initial
11 inventory, or perhaps the JPM inventory that
12 came over the Barclays; that came over to
13 Barclays in one fashion or another.

14 Q. And you can't rule out that
15 Exhibit 4 contains securities that did not end
16 up with Barclays?

17 A. That's entirely possible given my
18 understanding that the search criteria was as
19 described, just Level 2 or Level 3 and over
20 \$20 million in value as of the 12th.

21 Q. Why pick \$20 million as the cutoff
22 for this analysis, sir?

23 A. I would say two reasons. One which
24 was to save paper, although as I look around
25 the room I realize that it probably didn't

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2 have much of an effect. But the main reason
3 was that I wanted to look at securities that
4 had substantial value that would be material
5 for the conclusions that I was drawing.

6 Q. If you add up, if you sum up the
7 "Gross Long Inventory" column on Exhibit 4 of
8 your report, do you know how that compares in
9 percentage terms with the total population of
10 Level 3 securities in GFS as of
11 September 12th? How big a portion of the
12 Level 3 securities have you analyzed here?

13 MR. SHAW: Objection to form.

14 (Witness reviewing document.)

15 A. I'm afraid I can't answer your
16 question. I was attempting to mentally add
17 these up and then take my recollection of what
18 might have been recorded as to the Level 3 --
19 total population of Level 3 securities, which
20 I don't remember so I can't answer the
21 question.

22 Q. But short of sort of doing the
23 analysis now, do you recall having done the
24 analysis at some point to see what portion of
25 the Level 3 securities were captured by this

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2 analysis?

3 A. I didn't do that and it wasn't
4 material to my -- my opinions here.

5 Q. Now, I note that what you have
6 reported in Exhibit 4 are clean market prices
7 for September 12th, 15th, 16th, 17th, 18th,
8 19th and 22, right?

9 A. That's correct.

10 Q. Did you for any of these Level 3
11 securities go back in the GFS data to see how
12 frequently these securities were marked prior
13 to Lehman's bankruptcy?

14 A. No. Because again, that was not
15 material to my conclusions.

16 Q. What is your understanding of how
17 often Level 3 securities are re-priced or
18 remarked?

19 A. I don't know what particular
20 policies may have been in place. Because as I
21 say, I don't believe I've seen the Lehman
22 policy on that. But the conclusion that I'm
23 drawing here is not how this compares with
24 prior policy but rather, are these reliable
25 indicators of value given that they are not

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<p>1 - P. Pfleiderer-</p> <p>2 changing in a turbulent week when a lot is</p> <p>3 happening in the market.</p> <p>4 Q. Right. The conclusion you're</p> <p>5 drawing from the fact that the price has</p> <p>6 changed from the 12th to the 15th for some of</p> <p>7 these and then don't change through the 22nd</p> <p>8 is that people were so caught up in the</p> <p>9 turbulence and their own personal crisis that</p> <p>10 they weren't remarking these Level 3</p> <p>11 securities, right?</p> <p>12 A. Certainly, these Level 3 securities</p> <p>13 were not remarked to reflect what undoubtedly</p> <p>14 were changes in value over the course of the</p> <p>15 week.</p> <p>16 Q. And to know what's driving the</p> <p>17 re-pricing or the lack of re-pricing of a</p> <p>18 security, wouldn't you need to know what the</p> <p>19 policies are as to when Level 3s are remarked</p> <p>20 by Lehman in the ordinary course?</p> <p>21 A. I think the best way to answer this</p> <p>22 question is I'm not necessarily drawing a</p> <p>23 conclusion here about whether policy followed</p> <p>24 this week was different than the other weeks,</p> <p>25 although I certainly read a lot of deposition</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 testimony that indicated that this week was</p> <p>3 different than other weeks. I remember, I</p> <p>4 believe it was Mr. Marsal who said that he</p> <p>5 found extreme chaos when he was coming in on</p> <p>6 his own and so forth.</p> <p>7 So it would be reasonable to</p> <p>8 conclude that whatever policies might have</p> <p>9 been in place were not necessarily being</p> <p>10 followed. However, my major conclusion is</p> <p>11 that because these weren't being updated, they</p> <p>12 could not serve as a reliable indicator of</p> <p>13 value in a week where there was a lot of</p> <p>14 turbulent activity in the market and market</p> <p>15 valuations were potentially changing.</p> <p>16 So whether it was as a result of</p> <p>17 following policies that resulted in stale</p> <p>18 prices all the time, or whether it was a</p> <p>19 result of people not being able to follow the</p> <p>20 policy is really immaterial for the ultimate</p> <p>21 question, which is can these Lehman marks be</p> <p>22 used as a reliable indicator of value as the</p> <p>23 week is progressing when they're not being</p> <p>24 updated in a week when values are changing.</p> <p>25 Q. If, for example, Lehman's policy</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 was that Level 3 assets are re-priced on</p> <p>3 the 15th and 30th of each month, so middle of</p> <p>4 the month and end of the month, the pattern of</p> <p>5 price changes that you see here would be</p> <p>6 perfectly consistent with such a policy,</p> <p>7 correct?</p> <p>8 A. As would my conclusion that they</p> <p>9 would not be reliable sources of value.</p> <p>10 Q. But for a different reason; it's</p> <p>11 not because people are distracted and caught</p> <p>12 up in their personal life, it's because</p> <p>13 they're following the Lehman pricing policy,</p> <p>14 right?</p> <p>15 A. Again, that doesn't affect the</p> <p>16 conclusion that I would draw that they're not</p> <p>17 reliable.</p> <p>18 Q. It is not the conclusion that you</p> <p>19 would draw. It is the conclusion that you</p> <p>20 have drawn. You have suggested to the Court</p> <p>21 that the reason these prices aren't being</p> <p>22 remarked is because people are so caught up in</p> <p>23 their personal lives that they don't have the</p> <p>24 time to remark their books. You have no way</p> <p>25 of knowing if that's the reason these prices</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 didn't change or simply because policy was</p> <p>3 being followed?</p> <p>4 MR. SHAW: Objection.</p> <p>5 Mischaracterizes the report and his</p> <p>6 prior testimony.</p> <p>7 (Witness reviewing document.)</p> <p>8 A. I think the answer to your</p> <p>9 question, I will simply read into the record</p> <p>10 what I said in Paragraph 39 which is, "My</p> <p>11 analysis of the prices recorded in GFS reveal</p> <p>12 significant stickiness in the marks," and then</p> <p>13 it goes on to talk about Exhibit 4.</p> <p>14 So I'm not using this to conclude</p> <p>15 anything about what Lehman employees were</p> <p>16 doing. Although, given my reading of</p> <p>17 deposition testimony, I know that this was an</p> <p>18 unusual week. But Paragraph 39 does not begin</p> <p>19 by saying Lehman employees were not updating</p> <p>20 the GFS system, and as evidence thereof, and</p> <p>21 then go on. It simply says that my analysis</p> <p>22 "revealed significant stickiness."</p> <p>23 Q. Just to answer my question, you</p> <p>24 have no way of knowing whether the reporting</p> <p>25 of these prices in the GFS system was or was</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 182</p> <p>1 - P. Pfleiderer- 2 not consistent with Lehman policy, correct? 3 A. Then it would be immaterial for my 4 conclusions -- 5 Q. That wasn't my question at all. 6 A. -- because I wasn't basing my 7 conclusions on what Lehman policy was or was 8 not. I'm simply looking at the prices as 9 they're reported in the GFS system and noting 10 that they were sticky. 11 Q. Do you have a problem with my 12 question? Do you understand the question I'm 13 asking you? You have no way of knowing 14 whether this was consistent with policy or 15 not? Do you understand that question? 16 A. I have not read the policy, so I 17 don't know what the policy is. 18 Q. And the same is true with the data 19 you have in Exhibit 5? You have no way of 20 knowing whether that is consistent with 21 Lehman's policy that existed then for the 22 re-pricing of Level 2 securities, correct? 23 A. No. What I do know is that it 24 shows that they were sticky, which is the only 25 conclusion that I was drawing. TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 183</p> <p>1 - P. Pfleiderer- 2 Q. What is Barclays' policy for 3 re-pricing Level 3 securities? 4 A. I don't recall. I'd have to go 5 back and look at their policies. 6 Q. Do you have any understanding 7 generally in the financial industry, what is 8 the test for when you have to go in and remark 9 a Level 3 security; when it's appropriate to 10 do so, when you're required to do so? What 11 are the standards? 12 A. I don't know the exact accounting 13 standards, no. 14 Q. Not the accounting standards. Are 15 there any valuation standards that apply that 16 require financial institutions to go in and 17 revalue Level 3 securities? 18 A. Valuation standards set by whom? 19 Q. By regulators. 20 A. I don't know the exact regulatory 21 policy. But what I do know is a financial 22 economist is a stale mark. And if prices are 23 changing and if values are changing and a mark 24 is not being updated, it is stale. And that's 25 all I was observing here. TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 184</p> <p>1 - P. Pfleiderer- 2 Q. What percentage of Level 3 3 securities were remarked more frequently than 4 the ones you selected in Exhibit 4? Did you 5 do that analysis? 6 A. I'm not sure I understand the 7 question. 8 Q. If you don't apply the \$20 million 9 criteria, if you look at all of the Level 3s 10 that are available in GFS, did you look to see 11 how many of the other Level 3 securities other 12 than the ones you have in Exhibit 4 were being 13 remarked throughout that week? 14 A. Beyond the cutoff of 20 million; is 15 that what you're asking? 16 Q. Yes. The entire population. Not 17 this population. 18 A. I'm not sure whether that analysis 19 was done. But I suspect that it was and we 20 just reported the top ones above 20 million 21 because those were the ones that had material 22 value or certainly were going to be where a 23 lot of material value would reside. 24 Q. You don't know that, do you, 25 because there could be a lot of Level 3 assets TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 185</p> <p>1 - P. Pfleiderer- 2 that are just under \$20 million, so there 3 could be billions and billions of dollars of 4 Level 3 and only a couple of billion that are 5 being captured by your analysis, correct? You 6 don't know? 7 A. What I do know in this analysis is 8 that some of the ones that were very important 9 in the inventory that came to Barclays, which 10 do show up here, such as the Ciago line at the 11 top, were not being updated. I don't have 12 precise number as to what the analysis would 13 show if the screen was set less than 14 20 million. Let's say 10 million or 15 5 million. So I don't know that. 16 Q. And the same is true for the 17 Level 2 securities analysis in Exhibit 5? 18 A. That would be correct, yes. 19 Q. By the way, where is Pine? 20 A. I'm sorry? 21 Q. Where is Pine? 22 A. (No response.) 23 Q. Where is Pine? 24 A. I said Ciago. 25 Q. But where is Pine? TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 A. Oh, I'm sorry.</p> <p>3 (Witness reviewing document.)</p> <p>4 Q. You can satisfy yourself that it is</p> <p>5 not there.</p> <p>6 A. I'm just checking to make sure.</p> <p>7 Q. Absolutely. By all means do.</p> <p>8 A. What that would indicate is</p> <p>9 something that answers the question then that</p> <p>10 we were talking about before. If the policy</p> <p>11 was only to mark on the 15th and the 30th,</p> <p>12 then Pine would show up here. What the</p> <p>13 absence of Pine means potentially, and the</p> <p>14 explanation would be, that it was updated more</p> <p>15 than once during this week. Because let's</p> <p>16 remember what the criteria was.</p> <p>17 The criteria was anything marked</p> <p>18 Level 3, or Level 2, and above 20 million in</p> <p>19 value, if it was only updated at most once.</p> <p>20 So if it were the case that Pine</p> <p>21 was updated twice or more, then it wouldn't</p> <p>22 appear here -- which appears to be the case.</p> <p>23 But that would say that there was a</p> <p>24 discretionary policy of some sort that would</p> <p>25 mean that some things were updated more often</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 than others.</p> <p>3 Q. There's something you just said</p> <p>4 there that's really interesting to me.</p> <p>5 So this list is limited not only by</p> <p>6 the fact that it is Level 3s, that are above</p> <p>7 20 million, but you also limit it to make sure</p> <p>8 that you only captured those securities that</p> <p>9 were updated only once during that time</p> <p>10 period? Is that what you're telling me?</p> <p>11 A. Let me reread what Paragraph 39</p> <p>12 said.</p> <p>13 Q. That's not in Paragraph 39. So,</p> <p>14 hence, my interest.</p> <p>15 MR. SHAW: Objection to the</p> <p>16 characterization.</p> <p>17 Q. That aspect of your answer is not</p> <p>18 in Paragraph 39, so, hence, my interest.</p> <p>19 A. Yes, it is. I respectfully</p> <p>20 disagree, so let me read:</p> <p>21 "Exhibit 4 reports LBI net long</p> <p>22 inventory positions in Level 3 securities with</p> <p>23 an indicated value greater than 20 million as</p> <p>24 recorded in GFS as of September 12, 2008" --</p> <p>25 and ere is the important clause -- "for which</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 there was no price adjustment after September</p> <p>3 12th or at most one adjustment after September</p> <p>4 12th." And then this parenthesis "typically a</p> <p>5 downward, single downward from the 12th to the</p> <p>6 15th with no subsequent adjustment."</p> <p>7 So the selection criteria is</p> <p>8 exactly what this says, Level 3 above</p> <p>9 20 million and for which there was at most one</p> <p>10 price adjustment. So it's certainly possible</p> <p>11 and undoubtedly true, given what we have about</p> <p>12 Pine, that there were securities that were</p> <p>13 adjusted more. And Pine, if it was adjusted</p> <p>14 more than once, would not be included in this</p> <p>15 table by the criterion that was set out.</p> <p>16 But then that would call into</p> <p>17 question our discussion before about the</p> <p>18 policy being that you only mark on the 15th</p> <p>19 and the 30th, because that would not explain</p> <p>20 the absence of Pine.</p> <p>21 Q. How many other securities were</p> <p>22 there that were more than 20 million in value</p> <p>23 for which prices were adjusted more than once</p> <p>24 during this time period? You're suggesting</p> <p>25 Pine may be one of them. Are there others?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 A. Oh, there could be, and undoubtedly</p> <p>3 are. My point was simply that there were</p> <p>4 stale prices in the system. I wasn't saying</p> <p>5 that everything in the system had stale</p> <p>6 prices. I was simply observing that there was</p> <p>7 a substantial number of CUSIPs for which</p> <p>8 values were above \$20 million and for which</p> <p>9 there was at most one price change during the</p> <p>10 course of this week.</p> <p>11 Q. You said there was a substantial</p> <p>12 number of CUSIPs. But I think you added up</p> <p>13 all of the CUSIPs in Exhibit 4 and Exhibit 5.</p> <p>14 I haven't done that. But my guess is we are</p> <p>15 talking about fewer than 200 CUSIPs, probably</p> <p>16 100 CUSIPs that you identified there. And the</p> <p>17 population that we are talking about as of</p> <p>18 September 12th is 20,000 plus, correct?</p> <p>19 MR. SHAW: Objection.</p> <p>20 A. I would have to go through and add</p> <p>21 up the number and then refer back to the other</p> <p>22 that establish its universe.</p> <p>23 (Witness reviewing document.)</p> <p>24 Q. Well, the universe is in</p> <p>25 Paragraph 32, I believe. That's where you add</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 up all of the GFS Level 1, Level 2, Level 3</p> <p>3 positions. Maybe the universe is even larger</p> <p>4 than that because maybe there were some CUSIPs</p> <p>5 for which there was no indication of Level 1,</p> <p>6 Level 2, Level 3, but it is at least 26,000</p> <p>7 positions. Paragraph 32.</p> <p>8 (Witness reviewing document.)</p> <p>9 Q. Do you agree there is at least</p> <p>10 26,059 positions as of the 12th in GFS?</p> <p>11 A. The relevant universe is the number</p> <p>12 that were categorized as Level 2 or Level 3.</p> <p>13 And since you're talking about Level 3, it was</p> <p>14 2,128.</p> <p>15 Q. Of the 2,128, Exhibit 4 captures</p> <p>16 how many, fewer than 20, 25 at the most?</p> <p>17 A. I think I counted it as 26. Again,</p> <p>18 I didn't say a substantial percentage, I said</p> <p>19 a substantial number of these were not marked</p> <p>20 more than once during the week.</p> <p>21 Q. But on the basis of this analysis,</p> <p>22 you rejected wholesale all of the GFS data as</p> <p>23 unreliable, correct?</p> <p>24 MR. SHAW: Objection.</p> <p>25 Mischaracterizes.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 A. What we don't know is the</p> <p>3 percentage here. We can't say anything about</p> <p>4 the percentage. And the reason we can't is</p> <p>5 the 20,000 -- excuse me. The \$20 million</p> <p>6 filter. So it is true that there are a total</p> <p>7 universe of 2,128. And the filter here was at</p> <p>8 20 million so a substantial part of that</p> <p>9 universe is probably less than 20 million.</p> <p>10 And since I just did the analysis</p> <p>11 here, I just report the analysis for those</p> <p>12 above 20 million, the really relevant question</p> <p>13 is - if you want to calculate a percentage, is</p> <p>14 what percentage is this of the percentage that</p> <p>15 are in Level 3 that are above 20 million.</p> <p>16 The 2,128 gives the total number,</p> <p>17 which would include, no doubt, many under</p> <p>18 20 million. So we can't really talk about</p> <p>19 percentages unless we're comparing</p> <p>20 apples-to-apples. So either we do the</p> <p>21 analysis for the entire universe or we figure</p> <p>22 out how many in that 2,128 are above</p> <p>23 20 million and calculate a percentage one way</p> <p>24 or the other.</p> <p>25 Q. But if what you're trying to do is</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 figure out how sticky Lehman's GFS prices are,</p> <p>3 why wouldn't you look at the universe of</p> <p>4 prices? Why filter it out for only</p> <p>5 \$20 million-plus positions?</p> <p>6 A. Because my point was to show that</p> <p>7 there were a substantial number of securities</p> <p>8 that had value, in this case above 20 million,</p> <p>9 that were not updated more than once during</p> <p>10 the course of the week.</p> <p>11 Q. And in your view, the substantial</p> <p>12 number here is 26 over 2,128?</p> <p>13 A. No, that's not what I said. 26</p> <p>14 over whatever number of that 2,128 is above</p> <p>15 20 million.</p> <p>16 Q. And you don't know that number</p> <p>17 because you didn't track that number, how many</p> <p>18 above \$20 million were updated more than once</p> <p>19 during the week?</p> <p>20 A. That wouldn't be the relevant</p> <p>21 number that you would need. What you would</p> <p>22 need is to take the 2,128 and figure out what</p> <p>23 in that population is above 20 million. That</p> <p>24 would be your base. Of those, 26 meet the</p> <p>25 criteria of not being updated more than once.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 So if it turned out -- and I'm not</p> <p>3 saying that it would, but just for</p> <p>4 hypothetical purposes. If it turned out that</p> <p>5 of the 2,128, 75 were above 20 million, for</p> <p>6 example, then we would have 26 out of 75.</p> <p>7 Q. But we don't know if that's the</p> <p>8 case because that's not something that was</p> <p>9 tracked and reported by you?</p> <p>10 A. That's not something that's in my</p> <p>11 report.</p> <p>12 Q. It is not that you tracked it and</p> <p>13 left it out of your report, you didn't track</p> <p>14 that; is that right?</p> <p>15 A. I believe that the information is</p> <p>16 there. What I chose to report is securities</p> <p>17 that had more than \$20 million in value, were</p> <p>18 in GFS at either Level 2 or Level 3, and did</p> <p>19 not have price updates more than once a week.</p> <p>20 Q. Let's go to Appendix 4 in your</p> <p>21 report. It's in Volume I.</p> <p>22 MR. SHAW: Page 106.</p> <p>23 Q. Page 106. If you want to mark it</p> <p>24 with another sticky, please feel free to do</p> <p>25 so.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer- 2 In Appendix 4, you have eight 3 items, either specific CUSIPs or types of 4 securities that you analyze in particular 5 ways, right? 6 A. That is correct. 7 Q. Was there a particular filter or 8 methodology you used to select these eight 9 securities or asset classes as opposed to 10 doing some other type of analysis? Why these 11 eight? 12 A. I chose these eight because they 13 give a range of examples of various things 14 that I found in the course of my analysis. So 15 the filter was basically the filter of 16 choosing examples that illustrated various -- 17 various things that I found in the 18 spreadsheets that I was looking through and 19 understanding what was associated with various 20 securities in those spreadsheets. 21 Q. Let's start on the back actually 22 with the Pine CLO. Start with page 116 where 23 you begin the Pine CLO discussion. One thing 24 I want to do is look at your errata sheet 25 because you made an edit to this. TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer- 2 Exhibit 636-A that we looked at this morning. 3 It may be that last document. 4 MR. SHAW: The last document. 5 Q. If you turn in your errata report 6 to the third page of that errata report, the 7 last item there. That's a correction you're 8 making to this discussion of Pine in 9 Appendix 4, correct? 10 A. To the Pine CCS CLO discussion. 11 Q. So I understand what you're 12 discussing there in the second paragraph of 13 the Pine CLO discussion, you are editing your 14 report to say, "Bank of New York valued the 15 transfer position in Pine at 1,020,500,000"; 16 is that right? 17 A. That's what the correction is, yes. 18 Q. What you are correcting is what you 19 used to appear there before which was a number 20 of 914,983,902. Do you see that? 21 A. That's correct. 22 Q. And both in the original report and 23 in your correction you say that the value that 24 Bank of New York ascribed to the transfer 25 position in Pine was based on an erroneous TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer- 2 factor, correct? 3 A. That is what was the reference, for 4 example, that I was mentioning this morning 5 when I saw a screen shot of the vendor source 6 showing what the factor actually was at the 7 time. 8 Q. And in correcting your previous 9 analysis of Pine CLO, you say in your errata 10 sheet, what BoNY should have done is have a 11 BoNY midpoint mark of 914,983,902; is that 12 right? 13 A. If that factor of -- I forget what 14 the factor was -- but is applied to the 1.02. 15 Q. But that's what you do in your 16 errata, right, you apply the right factor and 17 you say this is what BoNY should have done? 18 A. I have to go back and look at the 19 actual spreadsheet because I think the 20 correction was actually done in this 21 spreadsheet itself. If we were to open it up, 22 I could look at it and see how it enters into 23 the spreadsheet in which the BoNY mark is 24 given. And I can't remember whether it was 25 given at 1.02 or whether it was corrected to TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer- 2 the 9.14. 3 Q. Well, if BoNY had reported it at 4 9.14, that would have been the correct value 5 to report it; is that what you're saying? 6 A. No. I'm not saying that. I'm 7 saying that there appeared to be an error that 8 had been made based upon an erroneous factor. 9 Correcting that erroneous factor does not make 10 the BoNY midpoint mark correct, it just 11 adjusts the par value downward to reflect that 12 the factor is no longer one. 13 Q. Because you perceive two problems 14 with BoNY's valuation; they misapplied the 15 factor and they got the valuation itself 16 wrong, right? 17 A. Well, there are three reasons at 18 least ultimately for a difference here between 19 the BoNY mark, the initial mark, and the mark 20 that Barclays ultimately gives to it. 21 One would be in this particular 22 case an erroneous factor. The other would be 23 a disagreement based upon value once that 24 factor is corrected. And a third would be the 25 adjustment from midpoint down to exit prices TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 that would have been done here to make that</p> <p>3 correction.</p> <p>4 And we have to open up the</p> <p>5 spreadsheet to see exactly what was done. I</p> <p>6 don't recall all the details in terms of, for</p> <p>7 instance, the exit point mark. Although I</p> <p>8 think it is here in the report.</p> <p>9 Q. What I want to do is focus on the</p> <p>10 first of those three, the factor problem.</p> <p>11 Because that's the subject of the correction</p> <p>12 in your errata sheet. That's the part of your</p> <p>13 analysis that you're correcting, is the</p> <p>14 factor, correct?</p> <p>15 A. In terms of the errata sheet?</p> <p>16 Q. In terms of the errata sheet.</p> <p>17 A. Yes.</p> <p>18 Q. So just isolating that issue. I</p> <p>19 know you have other concerns about BoNY's</p> <p>20 valuation, but let's just focus on the factor</p> <p>21 part.</p> <p>22 In the original report you said,</p> <p>23 "Bank of New York valued the transfer position</p> <p>24 in Pine at 914,983,902," correct?</p> <p>25 A. That's how it appears in the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 original version here, yes.</p> <p>3 Q. And in your correction what you say</p> <p>4 is, "After adjustment for this error, the</p> <p>5 value of these positions at BoNY's midpoint</p> <p>6 mark should have been 914,983,902," right?</p> <p>7 A. That is what I'm saying in the</p> <p>8 errata sheet, yes.</p> <p>9 Q. If you look at Volume II of your</p> <p>10 expert report, Exhibit 1, Part A, page 1. Are</p> <p>11 you there?</p> <p>12 A. Yes.</p> <p>13 Q. If you go down about seven or eight</p> <p>14 CUSIPs, you will see custodial mark,</p> <p>15 914,983,902. Do you see that?</p> <p>16 (Witness reviewing document.)</p> <p>17 A. I do.</p> <p>18 Q. That's Pine, correct?</p> <p>19 A. We have to check the CUSIP. But</p> <p>20 the numbers certainly are the same.</p> <p>21 Q. So BoNY did have it at the right</p> <p>22 factor all along?</p> <p>23 A. This is where we have to go back to</p> <p>24 the spreadsheet and see what was done there.</p> <p>25 My recollection is that the factor was</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 corrected in the spreadsheet from one to</p> <p>3 whatever it was. And then the way that the</p> <p>4 custodial mark was calculated was to station</p> <p>5 the notional amount, multiply it by the</p> <p>6 factor, multiply it by the implied -- and we</p> <p>7 have to go back and check here -- price at</p> <p>8 which BoNY was marking it divided by a</p> <p>9 hundred.</p> <p>10 So without looking at the</p> <p>11 spreadsheet and knowing whether the correction</p> <p>12 of the factor corrected what was reported as</p> <p>13 the custodial mark in the spreadsheet from</p> <p>14 which this was derived, we can't really tell.</p> <p>15 Q. Well, you didn't adjust any of the</p> <p>16 custodial marks when you put them on</p> <p>17 Exhibit 1, Part A, correct? You reported them</p> <p>18 as BoNY had reported them?</p> <p>19 A. As they were registered in the</p> <p>20 spreadsheet.</p> <p>21 Q. We'll see if we can pull up the</p> <p>22 spreadsheet and we can mark the spreadsheet</p> <p>23 itself as an exhibit.</p> <p>24 (Exhibit 641-A, e-mail re:</p> <p>25 Acquisition balance sheet,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 BCI-EX-(s)-00213990 with attachments,</p> <p>3 marked for identification, as of this</p> <p>4 date.)</p> <p>5 Q. Professor Pfleiderer, I'm handing</p> <p>6 you what has been marked as Exhibit 641-A.</p> <p>7 What this is is a collection of native format</p> <p>8 documents that were produced along with the</p> <p>9 Bates numbered pages that you see in this</p> <p>10 document beginning with BCI-EX-(S)00213990.</p> <p>11 And what this corresponds to is a document we</p> <p>12 were looking at this morning, which is</p> <p>13 Exhibit 637-A, and the files identified by</p> <p>14 counsel, which files we confirmed this morning</p> <p>15 are the two initial inventory and JPM</p> <p>16 inventory files that you have on your hard</p> <p>17 drive in your computer.</p> <p>18 This is the first one of the files.</p> <p>19 Do you recognize the file?</p> <p>20 A. Yes.</p> <p>21 Q. Because we have it now on a TV</p> <p>22 screen, in native format, in a spreadsheet.</p> <p>23 That's something you've seen and are familiar</p> <p>24 with it?</p> <p>25 A. Very familiar with this.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 Q. Where on that spreadsheet, which is</p> <p>3 a spreadsheet that's embedded within</p> <p>4 Exhibit 641, is the Pine CLO? Where would you</p> <p>5 go?</p> <p>6 A. Do you want me to try and do it?</p> <p>7 Q. Yes, you can try.</p> <p>8 (Handing monitor to witness.)</p> <p>9 Q. To be clear, the document that we</p> <p>10 are working off of is a document that ends on</p> <p>11 3995.xls.</p> <p>12 And you're going to what tab, sir?</p> <p>13 If you can just describe what you are doing.</p> <p>14 A. I'm going to the "PMTG" tab. I'm</p> <p>15 now going to select the entire spreadsheet and</p> <p>16 make sure there are no hidden columns here.</p> <p>17 I'm in a slight disadvantage in doing this</p> <p>18 because this is the older version of Excel,</p> <p>19 and through lots of trial and pain, I've</p> <p>20 gotten used to the new version.</p> <p>21 Q. Well, next time we gather, maybe</p> <p>22 you can bring your computer and maybe we can</p> <p>23 work off the right version of Excel. But</p> <p>24 let's do the best we can.</p> <p>25 A. So I'm going to sort now, I believe</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 I'm going to get it with column G -- this</p> <p>3 comes up a little differently.</p> <p>4 Perhaps the easiest thing is to</p> <p>5 search for the CUSIP. If someone would be so</p> <p>6 kind as to read the CUSIP number.</p> <p>7 Q. 722490AA7?</p> <p>8 A. 887?</p> <p>9 Q. No. Apple, apple 7.</p> <p>10 A. AA7. I must have typed it wrong.</p> <p>11 MR. VELLRATH: Capital As.</p> <p>12 A. Capital As? Okay.</p> <p>13 722490?</p> <p>14 Q. Yes.</p> <p>15 A. AA7.</p> <p>16 Q. Or you can just look for the word</p> <p>17 "Pine." I think you should unhighlight the</p> <p>18 column and search, that might work.</p> <p>19 A. It should be in column A, though.</p> <p>20 Unless it's...</p> <p>21 The one thing I should check is</p> <p>22 some of these were put into corporates. But I</p> <p>23 think it was the PMTG file.</p> <p>24 Let me just look and see if it was</p> <p>25 put in corporates. Sometimes you have to look</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 in multiple places.</p> <p>3 MR. SHAW: I think it may actually</p> <p>4 be in the PMTG 2 file.</p> <p>5 MR. TAMBE: Okay.</p> <p>6 THE WITNESS: Ah, that could be.</p> <p>7 (Witness conducting computerized</p> <p>8 search.)</p> <p>9 Q. There it is. Line 35.</p> <p>10 A. Yes. Okay. I highlight that now</p> <p>11 with your permission.</p> <p>12 Q. Sure.</p> <p>13 A. Just so it is easier to see.</p> <p>14 Q. So now let's read it across and see</p> <p>15 what BoNY had, what the custodial mark was.</p> <p>16 A. So here is -- here is what</p> <p>17 happened, and here is what explains the</p> <p>18 outcome here.</p> <p>19 So the original notional value was</p> <p>20 1.02 and change as you might say here.</p> <p>21 1 billion and 20 million. And the BoNY price</p> <p>22 is 100, so that's what it came in at.</p> <p>23 BoNY marked the CLO at that value.</p> <p>24 Why? Because it put in a factor of one. So</p> <p>25 if I do not decrease the original notional</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 value and I take a full price of a hundred,</p> <p>3 saying it's selling at par, then BoNY will</p> <p>4 value it at this. So then the question</p> <p>5 ultimately arises: Well, why does it show up</p> <p>6 in the spreadsheet at 914.983?</p> <p>7 The reason is as follows. Do you</p> <p>8 see the factor of .8966? And it is</p> <p>9 highlighted here. And I believe the person</p> <p>10 that put it here highlighted it to show that</p> <p>11 it was a correction. So the person that was</p> <p>12 going through it carefully, noting the</p> <p>13 difference in factor, putting it in, had the</p> <p>14 following consequence associated with that</p> <p>15 action.</p> <p>16 Since the BoNY mark is based upon</p> <p>17 multiplying the price times the factor times</p> <p>18 the notional value and then dividing by a</p> <p>19 hundred, given that the notional value had</p> <p>20 been adjusted by the appropriate factor, it</p> <p>21 appears here, just by the consequence of the</p> <p>22 way that the BoNY price is calculated, that</p> <p>23 BoNY marked it correctly. But that's only</p> <p>24 because of the formula that's being used here.</p> <p>25 And the spreadsheet corrects the erroneous</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 factor from 1 to .896.

3 So what it came down to was, indeed
4 1.02 million -- excuse me, I misspoke. 1.02
5 billion. It's showing up at the spreadsheet
6 at the corrected price only because in column
7 J -- I'm referring to now column J, row 35,
8 given the way this is sorted. The only reason
9 that that is showing up with the appropriate
10 value corrected by the factor is that the
11 person who constructed this spreadsheet
12 corrected the factor, and that gets reflected
13 in column J, but it does not show what it was
14 marked at when it came in from BoNY because of
15 this correction.

16 **Q. How would you know whether or not**
17 **that's the correct factor?**

18 A. That's where I looked and I don't
19 know exactly where to find it. But it was
20 some of the data that was produced in the file
21 that's related to the Pine CCS. I recall
22 looking at a screen shot which shows that
23 that's the correct factor.

24 **Q. And ordinarily for a CDO or a CLO,**
25 **where would you go and look to find out what**

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1 - P. Pfleiderer-

2 **the relevant factor is as of a particular**
3 **date?**

4 A. One of the various pricing services
5 that would give you -- give you the factor.

6 **Q. And you believe the .8966 is the**
7 **correct factor to value the Pine CLO as of**
8 **9/22; is that right?**

9 A. Based upon the outside source that
10 was obtained.

11 **Q. Now, the Pine CLO, what tranche of**
12 **the Pine CLO is the subject of this analysis?**

13 A. This lists it as a mezzanine
14 tranche. I'd have to go back.

15 **Q. Are you sure about that?**

16 A. I'm not sure -- I'm sure that it
17 list it here as "CLO mezzanine."

18 **Q. And your understanding is that what**
19 **that means is that that is the mezzanine**
20 **tranche of the Pine CLO that's at issue?**

21 A. I would have to go back and look at
22 the information that was in some of these
23 files, at least in the spreadsheet looking now
24 at column D, row 35, it's listed here as "CLO
25 Mezz."

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1 - P. Pfleiderer-

2 **Q. Can you step away from the monitor?**
3 **I want to ask you a question about Pine.**

4 A. Sorry.

5 **Q. That's all right.**

6 **Did you look at the offering**
7 **documents for the Pine CLO?**

8 A. I'm trying to recall whether those
9 were included. I don't believe that I saw
10 those. I don't believe that they were
11 included in the e-mail attachments that were
12 backup for this.

13 **Q. Did you ask to see it? Did you**
14 **say, let me see a copy of the offering**
15 **memorandum?**

16 A. I did not personally. Staff
17 working at my direction may have. But I
18 didn't personally.

19 **Q. We're doing the "may have thing"**
20 **again. Do you know if they did?**

21 A. I don't know that they did, I don't
22 know that they did not.

23 **Q. Do you know what the capital**
24 **structure of the Pine CLO looks like?**

25 A. Sitting here now I don't. But I

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1 - P. Pfleiderer-

2 believe some of the -- I may be confusing this
3 with something else that I looked at. But I
4 believe that there was some -- some documents
5 that related to that, but I'm not sure it was
6 for the Pine CLO.

7 **Q. And it would be relevant to the**
8 **valuation of the Pine CLO as to where in the**
9 **capital structure of the Pine CLO the**
10 **particular Pine security at issue resided;**
11 **whether it was a senior or a mezz or a junior?**

12 A. It would be, yes.

13 **Q. It would affect the cash flows that**
14 **were coming to that particular security,**
15 **correct?**

16 A. Generally, the waterfall goes
17 through the various tranches and it would
18 definitely affect the cash flows.

19 **Q. Did you look at the waterfall for**
20 **the Pine CLO?**

21 A. Again, I don't believe for that
22 particular CLO, but I may have. I recall
23 looking at some documentation, but I'm not
24 sure that it was with Pine.

25 **Q. Did you look at the avenues of**

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<p>1 - P. Pfleiderer-</p> <p>2 default for this particular CLO?</p> <p>3 A. I don't believe so, no.</p> <p>4 Q. Do you know whether or not this</p> <p>5 particular CLO went into an EOD shortly after</p> <p>6 the transaction?</p> <p>7 A. I believe I saw something</p> <p>8 somewhere, but I may be confusing it with</p> <p>9 something else. So the best answer I can give</p> <p>10 you is not that I recall sitting here today</p> <p>11 what information I had on this particular CLO</p> <p>12 versus some other.</p> <p>13 Q. Just going back to this particular</p> <p>14 line, right, line 35.</p> <p>15 If you scroll to the right, a</p> <p>16 little bit further, a little bit further?</p> <p>17 (Witness Complying.)</p> <p>18 Q. All right, stop right there.</p> <p>19 Column J has the derived BoNY value</p> <p>20 calculated with the adjusted factor, right,</p> <p>21 the 914 million, correct?</p> <p>22 A. Before answering your question</p> <p>23 definitely, I would want to look at exactly</p> <p>24 what the formula is.</p> <p>25 Q. You got it right there?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 A. It would appear -- I want to look.</p> <p>3 H is the par...</p> <p>4 (Witness reviewing document.)</p> <p>5 A. G is the factor. I is the price.</p> <p>6 Yes, it is. Exactly the calculation that I</p> <p>7 described when I described when I was</p> <p>8 explaining what had happened.</p> <p>9 Q. When we scrolled to the right, I</p> <p>10 had you stop at the column that was entitled</p> <p>11 "market value 9/22 with liquidity." Can you</p> <p>12 get back to that column?</p> <p>13 (Witness complying.)</p> <p>14 Q. Are you there?</p> <p>15 A. Yes.</p> <p>16 Q. And that column, which is column</p> <p>17 Z-35, that's the Barclays exit price for that</p> <p>18 security, correct?</p> <p>19 A. I'm going to be very careful in</p> <p>20 answering this because what I need to do --</p> <p>21 Q. You should be careful. It is half</p> <p>22 a billion dollar difference, so...</p> <p>23 A. I'm going to go and look at the</p> <p>24 summary and look at. It points to Z, yes,</p> <p>25 that is correct.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 Q. What you did is you went to the</p> <p>3 summary page to make sure that what is being</p> <p>4 summed up is the values that appear on the Z</p> <p>5 column of this particular worksheet?</p> <p>6 A. That's correct. Because there are</p> <p>7 often columns here often times repeated with</p> <p>8 small differences or just repeated. And I</p> <p>9 always made sure in everything that I did that</p> <p>10 it was the column that ultimately fed into the</p> <p>11 summary page which, again, feeds into the --</p> <p>12 ultimately into the acquisition balance sheet.</p> <p>13 Q. Just looking at the two values</p> <p>14 then, the BoNY value versus the Barclays final</p> <p>15 exit price value, there's about a \$500 million</p> <p>16 difference between the two values, correct,</p> <p>17 for this one single CUSIP?</p> <p>18 A. Well, let's be careful here. The</p> <p>19 BoNY value was as reported in my errata sheet,</p> <p>20 the 1.02 which was due in part to the error in</p> <p>21 the factor.</p> <p>22 Q. So even more than a \$500 million</p> <p>23 difference?</p> <p>24 A. So it is even more. Once you</p> <p>25 correct that error, then it's less by the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 amount of that factor.</p> <p>3 Q. So this one line is responsible for</p> <p>4 maybe 5- to \$600 million of the delta between</p> <p>5 the Bank of New York prices and the Barclays</p> <p>6 prices, right?</p> <p>7 A. I just realized I misspoke. When I</p> <p>8 said it was less by the factor I meant to say</p> <p>9 it was less by the change in the factor times</p> <p>10 the -- times the price.</p> <p>11 Q. So having directed that, can you</p> <p>12 now answer my question that this one single</p> <p>13 item is responsible for the 5- to \$600 million</p> <p>14 of the delta between the Bank of New York</p> <p>15 prices and the BoNY prices, correct?</p> <p>16 A. Well, that's 900, whatever it was,</p> <p>17 minus 428.</p> <p>18 Q. So the answer to my question is</p> <p>19 yes, it is?</p> <p>20 A. Whatever that difference is, yes.</p> <p>21 Q. Did you sit down with the Barclays</p> <p>22 people and ask them what they had done</p> <p>23 specifically to get to their value of</p> <p>24 \$428 million for this particular CUSIP?</p> <p>25 A. Did I personally sit down with</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 them? No.

3 **Q. Did any of your staff members do**
4 **that?**

5 A. My understanding is there were
6 conversations between staff working for me and
7 people at Barclays about various things and
8 they well could have encompassed this
9 particular CUSIP.

10 **Q. Do you know?**

11 A. But again, I don't know for sure.

12 **Q. You don't know. Okay.**

13 **So you don't know whether Barclays,**
14 **for example, was misreading the indenture when**
15 **they came up with their assumption about how**
16 **they were going to price this particular CLO?**
17 **You don't know that?**

18 A. I haven't talked to them so I don't
19 know how they were reading it. So I don't
20 know whether they were misreading it because I
21 don't think how they were reading it.

22 **Q. And as far as you know, no one in**
23 **your staff did a check to make sure that the**
24 **way that Barclays had read the indenture was,**
25 **in fact, consistent with the actual terms of**

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2 **this particular security, correct?**

3 A. I don't know whether that was done.
4 I don't know whether it was not done.

5 **Q. Now --**

6 A. I just don't know.

7 **Q. Well, did you review the Trustee**
8 **report for this particular CLO?**

9 A. No. I believe I answered that
10 question before, I did not.

11 **Q. I'm not sure if I asked you about**
12 **the Trustee report. But okay.**

13 **You haven't reviewed the Trustee**
14 **report?**

15 A. Again, I'm having to recall
16 documents that I did see that were in a file
17 related to the Pine CLO. I don't believe
18 there was a Trustee report there, but there
19 may have and I may have even looked at it, I
20 just don't know.

21 **Q. Would it be relevant to the**
22 **valuation of the CLO how much cash was**
23 **available in the CLO at the time of the**
24 **transfer from Lehman to Barclays?**

25 A. That would be a consideration that
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2 would be taken into account in value, yes.

3 **Q. So in valuing it you would take**
4 **into consideration how senior the note was**
5 **that you were valuing, right?**

6 A. That would be correct.

7 **Q. And you would take into**
8 **consideration the amount of cash that was**
9 **available in the structure at the time of the**
10 **transaction, correct?**

11 A. That could be a consideration that
12 would affect value, yes.

13 **Q. And you would also take into**
14 **consideration the creditworthiness of the**
15 **credits underlying the CLO, correct?**

16 A. That would be a consideration; the
17 number of credits, correlation issues. A
18 whole host of other things would be factored
19 in.

20 **Q. Did you study those kinds of**
21 **factors and consideration with respect to this**
22 **CLO?**

23 A. Did I personally study those?

24 **Q. Yes.**

25 A. No.

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1 - P. Pfleiderer-

2 **Q. Did your staff?**

3 A. Our staff -- I and the staff
4 reviewed the commentary that was provided in
5 that file, which is excerpted in my report
6 which talked about the high level
7 concentration and other such things and
8 satisfied ourselves -- I satisfied myself that
9 it was appropriate for Barclays to adjust the
10 price downward to reflect both value
11 considerations and considerations of what this
12 would be worth in an exit situation which
13 relates to liquidity.

14 **Q. How did you satisfy yourself other**
15 **than read what they had written?**

16 A. Basically reading what they had
17 written and understanding that it was a highly
18 concentrated CLO with a number of names that
19 Lehman had put together that could not be
20 sold.

21 My recollection, for example, is --
22 and I may be faulty on this, is that we did
23 look at the GFS report. And this may be --
24 this may be for Pine. It may be for something
25 else. But if I recall correctly, it was for

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<p style="text-align: right;">Page 218</p> <p>1 - P. Pfleiderer-</p> <p>2 Pine.</p> <p>3 And the GFS report lists Pine, I</p> <p>4 believe, and shows number of days held in</p> <p>5 inventory and also gives a column which says</p> <p>6 "max holding." And if my recollection is</p> <p>7 correct, the number of days that this had been</p> <p>8 held by Lehman in inventory was much greater</p> <p>9 than -- or it was greater. I don't know if it</p> <p>10 was much greater, than the reported max</p> <p>11 holding period which only suggests that Lehman</p> <p>12 was having some problems selling it as well.</p> <p>13 Q. The max holding period is what</p> <p>14 drove Barclays' valuation of this security,</p> <p>15 right?</p> <p>16 A. No. But you asked if I looked at</p> <p>17 something else. And I just told you that yes,</p> <p>18 there was other information that was available</p> <p>19 such as what was in GFS. And I would just put</p> <p>20 the caveat in there that my recollection is</p> <p>21 that that was Pine, but it may have been some</p> <p>22 other security.</p> <p>23 But there is information that is in</p> <p>24 the GFS report that gives how long something</p> <p>25 was held in inventory, at least that's the</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 219</p> <p>1 - P. Pfleiderer-</p> <p>2 column heading. And as I recall, the Pine CLO</p> <p>3 had been held in inventory for quite some</p> <p>4 time.</p> <p>5 Q. So you read what Barclays had</p> <p>6 written about it, you may or may not with</p> <p>7 respect to Pine have gone back to GFS.</p> <p>8 Anything else that you did to satisfy yourself</p> <p>9 that Barclays' explanation was adequate for</p> <p>10 you?</p> <p>11 A. Personally I don't believe I did</p> <p>12 anything beyond that. But I may have. I've</p> <p>13 considered this quite closely. Staff working</p> <p>14 at my direction may have done other things.</p> <p>15 Q. Again, they may have done other</p> <p>16 things. Do you know whether they did other</p> <p>17 things?</p> <p>18 A. I would have to ask them.</p> <p>19 Q. As you sit here today, you don't</p> <p>20 know of anything else your staff did, right?</p> <p>21 A. Yes, I do. Actually, I do.</p> <p>22 Q. What did they do?</p> <p>23 A. I know that they did rather</p> <p>24 extensive search on -- on Google looking for</p> <p>25 the CUSIP, looking for information about it.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 220</p> <p>1 - P. Pfleiderer-</p> <p>2 So there was a fair amount of effort that was</p> <p>3 done looking for outside information. I know</p> <p>4 that.</p> <p>5 I can't recall the precise things</p> <p>6 that were done, but I recall conversations in</p> <p>7 which we talked for a reasonable length of</p> <p>8 time about how difficult it was to get</p> <p>9 information for some of these CUSIPs, and I</p> <p>10 recall that the Pine CLO was one of -- one of</p> <p>11 those.</p> <p>12 And I believe that some information</p> <p>13 was also perhaps in that search dug up, if you</p> <p>14 will, by Googling it but that there was</p> <p>15 limited information out there.</p> <p>16 So staff working at my direction</p> <p>17 definitely did, shall we say, due diligence on</p> <p>18 this in particular partly because of its size.</p> <p>19 Q. Excuse me. Other than Googling,</p> <p>20 what other due diligence did they do?</p> <p>21 A. I have to, again, ask them. I know</p> <p>22 that this was looked at rather intensely.</p> <p>23 THE WITNESS: Is it possible to</p> <p>24 take a break now?</p> <p>25 MR. TAMBE: Sure.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 221</p> <p>1 - P. Pfleiderer-</p> <p>2 (Whereupon, a recess was taken</p> <p>3 from 3:24 p.m. to 3:44 p.m.)</p> <p>4 BY MR. TAMBE:</p> <p>5 Q. When were you retained?</p> <p>6 MR. SHAW: Before you start, he had</p> <p>7 some additional amplification on one of</p> <p>8 the answers he just gave.</p> <p>9 Q. Go ahead.</p> <p>10 A. I think before I took the break I</p> <p>11 said that I would have to ask Marc Vellrath,</p> <p>12 so I took the opportunity during the break to</p> <p>13 ask Dr. Vellrath to my right what was done.</p> <p>14 I was having trouble remembering</p> <p>15 what specifically was done in relation to the</p> <p>16 Pine CLO versus other things. Just to clear</p> <p>17 it up, I was indeed thinking of something else</p> <p>18 that was in the GFS system that showed that it</p> <p>19 was held a long time. Because my memory was</p> <p>20 refreshed that Pine was actually, I believe,</p> <p>21 issued in May of 2008.</p> <p>22 Q. Right.</p> <p>23 A. So it was another security that</p> <p>24 falls into that.</p> <p>25 Having brought up the GFS system,</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 Dr. Vellrath just refreshed my memory that
3 Pine actually appears in the GFS system, at
4 least the CUSIP does, but it has no prices at
5 all. So in other words, his price is zero by
6 the Lehman system, or at least it has blanks
7 so that's the reason that it doesn't come up
8 on that spreadsheet.

9 **Q. Exhibit 4?**

10 A. Exhibit 4, yes. I'm sorry. I
11 misspoke. Exhibit 4. Because it wouldn't
12 have met the 20 million criteria. It wouldn't
13 have even met a \$5 criteria because I believe
14 it is in zeros.

15 **Q. So turning now to the work that was**
16 **done, my understanding is that the files that**
17 **were the backup provided by Barclays were**
18 **turned over to you. And that does contain a**
19 **Trustee's report. I did see the Trustee's**
20 **report in that file. So that was information.**

21 **Indeed, my memory was also**
22 **refreshed, now I do remember it. We did have**
23 **extensive discussions, I may have mentioned**
24 **this early on in my testimony this morning,**
25 **extensive discussions with Stephen King and I**

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1 - P. Pfleiderer-
2 **think to some extent Gary Romain, but I**
3 **believe it was mainly Stephen King about the**
4 **pricing of Pine. And my understanding is that**
5 **the staff also had discussions with him just**
6 **going through what was -- what was done.**

7 **So it was looked at very intensely**
8 **by -- by the staff working for me.**

9 **And I myself went through those**
10 **files. I just couldn't recall whether they**
11 **were associated with Pine or perhaps something**
12 **else.**

13 **Q. All right. Thank you.**

14 **Other than speaking with Barclays**
15 **and reviewing the memos and other materials**
16 **that they provided you with, did you or your**
17 **staff try to independently recreate the**
18 **results of their analysis?**

19 A. Again, I would have to ask staff.
20 They assembled a lot of information. I don't
21 believe that they did an independent analysis,
22 but perhaps on the next break I can ask again.

23 **Q. Want to ask them right now? Go**
24 **right ahead. We can do it off the record.**
25 **Ask him.**

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1 - P. Pfleiderer-

2 MR. SHAW: We're going to do it --
3 I'll think about when we're going to do
4 that.

5 MR. TAMBE: So you don't want him
6 to answer right now?

7 MR. SHAW: I'll be happy to step
8 out and we can ask.

9 MR. TAMBE: Well, let's not step
10 out and do anything like that. Let's
11 continue with the deposition.

12 BY MR. TAMBE:

13 **Q. Let's go back in Appendix 4 to Item**
14 **No. 1 in Appendix 4. Do you have your report**
15 **there?**

16 A. Yes.

17 **Q. That's page 107.**

18 **Item No. 1 in Appendix 4 is an**
19 **example of a security that was valued by**
20 **Barclays at a sale price as opposed to a**
21 **marked exit price, correct?**

22 A. That is correct.

23 **Q. And the subject of Item No. 1 are**
24 **positions at 125 different CMOs, correct?**

25 A. That is correct.

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1 - P. Pfleiderer-

2 **Q. Now, since you have the spreadsheet**
3 **open before you, where in that spreadsheet**
4 **would you find this valuation?**

5 **(Witness reviewing document.)**

6 A. I'm having trouble scrolling down
7 here. Let me see if this works.

8 **Q. What tab are you looking to get to?**

9 A. Since I don't have the CUSIPs, I
10 need to search for the title, assuming that it
11 appears in this way.

12 **(Witness conducting computerized**
13 **search.)**

14 A. Okay. This is the -- I believe
15 this is one of them.

16 **Q. All right. So what tab are you in**
17 **and what line?**

18 A. Well, the tab I'm in is PMTG, the
19 column I'm in is G. I can tell you that in
20 this particular spreadsheet, I'm on line 32.
21 But one has to be careful because sometimes
22 rows are -- rows are re-sorted.

23 **Q. If you could just reduce the size**
24 **of that one. And let's just read across that**
25 **row to see what information.**

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1 - P. Pfleiderer-

2 A. Let's see. How do you reduce the
3 size on this particular --

4 **Q. Go up to 190 percent up there.**
5 **Pull the drop down menu, go to 50 percent.**
6 **(Witness complying.)**

7 **Q. All right.**

8 A. Just getting the title in here to
9 see what corresponds.

10 **Q. All right. So line 4 has the**
11 **Structured Adjustable Rate Mortgage Loan Trust**
12 **Series, that's the type of security that's**
13 **covered in Item 1?**

14 A. That would have been one of the
15 125, I believe.

16 **Q. Okay. So let's just go across that**
17 **row and tell me how Barclays priced that**
18 **particular securities. Let's just go across.**
19 **(Witness complying.)**

20 **Q. So you're in column AI?**

21 A. I'm looking at AI now just to see,
22 assuming that that is the one that was used.

23 So I'm now looking column AD, and
24 it shows "positions sold."

25 **Q. That's the notional?**

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2 A. I have to check.

3 **Q. Please do.**

4 A. So we're looking at A34. So let me
5 scroll back. Each one of these spreadsheets
6 is constructed in slightly different ways. So
7 let me just look up and make sure the column
8 heading is right here.

9 So this is the original notional.

10 **Q. Let's be clear. On row 34 of this**
11 **particular security, the original notion was**
12 **10.9 million, right?**

13 A. That's what it appears to say here.

14 **Q. Okay.**

15 A. And that was the position that was
16 sold.

17 **Q. Okay. So the entire position was**
18 **sold.**

19 **Does this row tell you when that**
20 **position was sold?**

21 A. I'm not sure that it shows -- it
22 shows where it was allocated.

23 **Q. I'm actually asking a different**
24 **question. Not where it was allocated. Where**
25 **was it sold? When?**

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2 A. I think in this particular
3 spreadsheet, it is not registered.

4 **Q. Are you aware of any spreadsheet**
5 **that registers the dates of sale of these six**
6 **securities?**

7 A. I have to go back and look. I
8 believe there may be somewhere there was
9 comments that had some information about
10 sales. But I have to go check to see if that
11 memory is correct.

12 In this particular case, it doesn't
13 appear to memorialize when it was sold. It
14 does give the sale price and it does give the
15 value that it was realized in column AF.

16 And then that is taken into column
17 AI, which in turn, I believe, we have to check
18 to make sure is the column that's zoned to
19 give the total for the PMTG group.

20 **Q. Within the PMTG group, looking at**
21 **column AE which is the column titled "Sale**
22 **Price", do you see that?**

23 A. Yes.

24 **Q. If a security was sold, the price**
25 **at which a security was sold would appear in**

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1 - P. Pfleiderer-

2 **that column AE; is that right?**

3 A. Well, what I would suspect is the
4 following. The number, if you look at the
5 ruler up there, the number that appears is
6 74.67450414 so on and so forth. And I believe
7 that the price here is a calculated price
8 based upon the total sale price divided by the
9 notional, and that's based upon the fact that
10 it appears here in at least ten decimal
11 places.

12 Whereas if it had been quoted as a
13 sale price, it probably wouldn't have appeared
14 to ten decimal places. So this is a
15 calculated number in my estimation based upon
16 the receipts that were obtained on sale
17 divided by the notional, multiplied by 100.

18 **Q. Now, some of the numbers in that**
19 **column AE are the bolded and some are not. Do**
20 **you see that?**

21 A. Yes.

22 **Q. Do you have any understanding as to**
23 **why some are bolded and some are not?**

24 **(Witness reviewing screen.)**

25 A. You're looking at?

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- P. Pfleiderer-

Q. AE.

A. I'm sorry. I was looking at AA.

Q. The "Sale Price" column.

A. So my understanding based upon earlier perusals of this and other sheets is that -- I have to check this. But I believe -- actually, strike that. I'm not sure. I was going to say that this indicated that there was a sale. I'm not sure that that's the case. I have to check here.

Q. If you look at column AD at the top of column AD, there is a number that appears, which appears to be at the very top of row 1 --

A. Yes.

Q. -- \$19 billion, do you see that, and change?

A. I do.

Q. Is that simply a sum of all of the entries on this particular worksheet, the PMTG worksheet and the spreadsheet that is here?

A. I believe it is. It shows that it is a sum from row 3 to row 1069.

Q. Just to be clear, that's a sum that

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we're looking at in a spreadsheet that ends in 995.xls, right?

A. Yes, I believe so.

Q. In particular, it is the "PMTG" tab?

A. Yes.

Q. Is it your understanding that what that shows is that \$19 billion worth of PMTG positions were sold at face value, notional face?

A. Notional, notional value.

Q. Were sold, period?

A. That would be my understanding, yes.

Q. And does one of these columns total up the market value or the realized sale value of the position sold? If you can scroll to the right if you look at AF? Row 1, AF, it is a billion dollars?

A. That's my understanding, yes.

Q. So it is a billion dollars of value realized upon the sale of the positions that are listed in this worksheet of this spreadsheet; is that right?

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A. That is the total of column AF, yes.

Q. Now, it's your understanding, is it not, that at least some of the sales that are being reported here are internal sales within Barclays?

A. That may be the case. I don't know that they're distinguished here. I'd have to -- have to review what was true for this particular sheet or for other ones.

Q. For the population of the September inventory, the original inventory, what percentage of that inventory was sold shortly after the acquisition?

A. I don't know the percentage.

Q. Would it be relevant to your analysis of Barclays' valuation whether there was an internal sale within Barclays or whether it was a third-party arm's length sale?

A. It may very well be relevant because an outside sale may better reflect the exit price with a liquidity adjustment and inside sales may not embody that fully. So

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inside sales could be overstated or to some extent based upon them not being appropriately marked to exit price. I don't know. I have to go back and review how that was done for inside sales to make sure that you got an appropriate exit price.

Q. Do you recall doing any kind of analysis or having a staff do any analysis where you, CUSIP by CUSIP, determine inside sales versus outside sales?

A. I don't recall specifically that those were identified and separated, but they very well could have been. But sitting here now, I don't recall that identification being done and separation done along those lines.

Q. You are aware, are you not, sir, from the materials that you looked at that the overwhelming majority of the sales that were reported by Barclays were, in fact, internal sales?

MR. SHAW: Objection to form.

A. My understanding was that the inventory was put in -- much of the inventory or a substantial part, if not all of it, went

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1 - P. Pfleiderer-
2 into the PMTG group and they allocated it out
3 to other areas and other desks.

4 **Q. And when they allocated it out to**
5 **other areas and other desks, did they count**
6 **those as sales transactions to those other**
7 **desks?**

8 A. That would be my understanding,
9 yes.

10 **Q. So included in your "Sale" column**
11 **are transactions where the inventory that's**
12 **been allocated to be of PMTG gets transferred**
13 **by PMTG internally within Barclays to other**
14 **trading desks, and that's recorded as a sale**
15 **for purposes of this spreadsheet; is that**
16 **right?**

17 A. I believe --

18 MR. SHAW: Objection to form.

19 A. I believe that that -- I know that
20 -- from deposition testimony that there were
21 allocations at other desks. What I don't know
22 is, from looking at this spreadsheet, whether
23 there is an indication as to exactly what the
24 disposition of any one of these CUSIPs was.

25 **Q. Let me show you what's been**

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1 - P. Pfleiderer-
2 **previously marked as Exhibit 533-A. It is a**
3 **double-sided copy, so it's a two-page**
4 **document.**

5 **That's a document you've seen**
6 **before today, right?**

7 A. Yes, indeed.

8 **Q. In fact, you used this document to**
9 **create your post acquisition gains and sales**
10 **table in your report, correct?**

11 A. That's correct.

12 **Q. You take the numbers directly from**
13 **here?**

14 A. For that analysis, yes.

15 **Q. Drawing your attention to the**
16 **middle of the page, there's a bold heading**
17 **there, "Post-auction process for assets**
18 **received in September repo and Schedule B for**
19 **the period 2/31 - December 2008." Do you see**
20 **that?**

21 A. Perhaps I'm not looking where I
22 should be.

23 **Q. The bold.**

24 A. Yes, I see that.

25 **Q. And below that bold heading there**

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1 - P. Pfleiderer-
2 **is a discussion about a list of P&L**
3 **information of \$37.2 billion of assets that**
4 **were transferred from the central book**
5 **internally to a Barclays trading desk. Do you**
6 **see that?**

7 A. Yes.

8 **Q. So that's referring to transfers of**
9 **37.2 billion of assets internally within**
10 **Barclays, correct?**

11 (Witness reviewing document.)

12 A. That's correct, I believe.

13 **Q. And that's \$37.2 billion out of the**
14 **initial inventory, it is the September**
15 **inventory that they're talking about there,**
16 **correct?**

17 A. That includes both Schedule A and
18 Schedule B, yes, correct.

19 **Q. So you agree with me based on those**
20 **numbers that the overwhelming majority by**
21 **value of the CUSIPs acquired in September that**
22 **were sold, were sold internally, correct?**

23 A. Well, taking these numbers as
24 stated, 37.2 over 44.3.

25 **Q. Why is 44.3 the right number?**

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1 - P. Pfleiderer-
2 **Isn't it a smaller number?**

3 A. Actually, I have to determine which
4 number to use here.

5 **Q. Well, you know you can't include**
6 **the JPM inventory, right? That's not**
7 **September. So whatever you do, you got to**
8 **back that out.**

9 (Witness reviewing document.)

10 A. Well the 42.61 is the initial
11 inventory.

12 **Q. So 37 over 42?**

13 A. Correct.

14 **Q. 88 percent, give or take, right?**

15 A. Yes. That was my understanding,
16 that most of what was taken in through PMTG
17 would be allocated to the -- to the desk.

18 **Q. Well, it goes beyond that, right?**
19 **I mean, it's allocated to the desks and those**
20 **values are recorded as sales prices for**
21 **purposes of Barclays' valuation, correct?**

22 A. That's correct. They were priced
23 and allocated to the desk at that price, is my
24 understanding.

25 **Q. And then this document, 533-A, goes**

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<p>1 - P. Pfleiderer-</p> <p>2 on to record the P&L impact, the profit and</p> <p>3 loss impact of those sales by various</p> <p>4 categories, agencies, emerging markets,</p> <p>5 equities and so on, right?</p> <p>6 (Witness reviewing document.)</p> <p>7 A. Could you read the question back?</p> <p>8 I'm sorry.</p> <p>9 (Record read as follows:</p> <p>10 "Question: And then this document,</p> <p>11 533-A, goes on to record the P&L</p> <p>12 impact, the profit and loss impact of</p> <p>13 those sales by various categories,</p> <p>14 agencies, emerging markets, equities</p> <p>15 and so on, right?")</p> <p>16 MR. SHAW: Could you read the</p> <p>17 previous question and answer before</p> <p>18 that?</p> <p>19 (Record read as follows:</p> <p>20 "Question: Well, it goes beyond that,</p> <p>21 right? I mean, it's allocated to the</p> <p>22 desks and those values are recorded as</p> <p>23 sales prices for purposes of Barclays'</p> <p>24 valuation, correct?</p> <p>25 "Answer: That's correct. They were</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 priced and allocated to the desk at</p> <p>3 that price, is my understanding.")</p> <p>4 Q. Now, did you look at any --</p> <p>5 A. I just want to have the record show</p> <p>6 that I didn't answer the last question</p> <p>7 affirmatively that you asked. Because unless</p> <p>8 I misheard it, I think my answer would be no.</p> <p>9 MR. TAMBE: I'm not sure what that</p> <p>10 means. Maybe we can have the question</p> <p>11 read back and you can answer it again</p> <p>12 so that we are clear what you are</p> <p>13 answering.</p> <p>14 (Record read as follows:</p> <p>15 "Question: And then this document,</p> <p>16 533-A, goes on to record the P&L</p> <p>17 impact, the profit and loss impact of</p> <p>18 those sales by various categories,</p> <p>19 agencies, emerging markets, equities</p> <p>20 and so on, right?")</p> <p>21 A. I just want to emphasize that my</p> <p>22 understanding is that it is not the P&L impact</p> <p>23 at the time of the sale to the desk, but</p> <p>24 rather P&L that followed it, in other words,</p> <p>25 prices that were realized later versus the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 price that it was sold at.</p> <p>3 Q. Now, those prices that were</p> <p>4 realized later when the desk that had received</p> <p>5 the securities sold them, is there a</p> <p>6 spreadsheet that captures those prices?</p> <p>7 A. This spreadsheet does not capture</p> <p>8 those.</p> <p>9 Q. Is there another spreadsheet? I</p> <p>10 understand this spreadsheet doesn't. Is there</p> <p>11 another spreadsheet that does?</p> <p>12 A. I'm trying to remember which</p> <p>13 spreadsheets I've looked at and how they</p> <p>14 relate to this. But there was obviously work</p> <p>15 that was done to produce these numbers. And</p> <p>16 right now I can't remember what spreadsheets</p> <p>17 that refers to or that work it's embodied in.</p> <p>18 But to clarify, it is not reflected in the</p> <p>19 spreadsheet that's up on the screen now.</p> <p>20 Q. Which is the 995.xls spreadsheet?</p> <p>21 A. That's correct.</p> <p>22 Q. So going on to category one in</p> <p>23 Appendix 4, when we began this discussion, you</p> <p>24 conclude at the end of Item No. 1 that the</p> <p>25 value that Barclays recorded for these 125</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 different CMOs was \$80.2 million. Do you see</p> <p>3 that on page 108?</p> <p>4 (Witness reviewing document.)</p> <p>5 A. I'm sorry. Where are we?</p> <p>6 Q. Page 108 at the top.</p> <p>7 A. I'm sorry. I was looking at the</p> <p>8 second. 80.2, yes.</p> <p>9 Q. And that 80.2 million number is a</p> <p>10 number that would appear if you totalled up</p> <p>11 the relevant CUSIPs on the 995.xls</p> <p>12 spreadsheet, correct?</p> <p>13 A. Which spreadsheet again?</p> <p>14 Q. The PMTG spreadsheet that we are</p> <p>15 looking at, the one that has these 125 CUSIPs</p> <p>16 and others in it. But if you selected the</p> <p>17 125 --</p> <p>18 A. That's right. If you selected the</p> <p>19 125, assuming they are all in this particular</p> <p>20 sheet, which I assume is the case that they</p> <p>21 appear in this particular PMTG sheet, that</p> <p>22 would be the number that you get.</p> <p>23 Q. Do you know what gain or loss</p> <p>24 Barclays realized on any of these CUSIPs when</p> <p>25 it sold them to some third party at some later</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer- 2 date? 3 A. On these specific CUSIPs? 4 Q. On these specific CUSIPs. 5 MR. SHAW: Objection to form. 6 A. Actually, I may have misunderstood 7 the question. Can you read back the question? 8 (Record read as follows: 9 "Question: Do you know what gain or 10 loss Barclays realized on any of these 11 CUSIPs when it sold them to some third 12 party at some later date?") 13 (Witness reviewing document.) 14 A. I'm not sure if I answered your 15 question too quickly when I heard it. But we 16 do have information based upon this ex-post 17 realization document that was created with 18 desk-by-desk analysis. And although it 19 doesn't break out these specific ones, they're 20 embedded in these trading desks. 21 And so while one can't look at the 22 specific CUSIPs that we've been looking at, 23 one can look more generally at the overall 24 effect. 25 Q. Okay. If you want to just keep a TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer- 2 place holder in your expert report at this 3 page, page 108. Let's go back into the body 4 of your report. 5 While we're at this topic of post 6 acquisition gains or losses. Turn to table 7 No. 3 on page 44. 8 (Witness complying.) 9 Q. The numbers that appear in 10 table No. 3 on page 44 are all numbers that 11 are derived from the exhibit that you were 12 looking at, Exhibit 533-A, correct? 13 A. That is correct, yes. 14 Q. Now, this table 3 includes gains 15 and losses, including gains and loss on hedges 16 that were put on by Barclays with respect to 17 some or all of these positions, correct? 18 A. That's correct. 19 Q. If you backed out the gains and 20 losses on the hedges, what would the effect be 21 on the gains and losses on the transactions 22 involving the acquired inventory? 23 A. Are you asking for a numerical 24 value or are you asking -- 25 Q. Yes. I'm asking for a numerical TSG Reporting - Worldwide 877-702-9580</p>
Page 244	Page 245
<p>1 - P. Pfleiderer- 2 value. 3 A. I don't believe that the combined 4 information in Table 3 in Exhibit 533-A would 5 allow all of that to be identified with 6 precision. More to the point, that 7 calculation would turn this into a decidedly 8 ex-post calculation as opposed to the purpose 9 which I put it here for which is to take out 10 market risk at least that was hedged out so 11 that one can assess the reliability of the 12 initial valuation of this -- these securities 13 based upon what were realized values some time 14 later with hedges put into place. 15 Q. But you would agree with me that 16 not all of the positions were hedged and not 17 all of the positions were hedged fully, 18 correct? 19 A. That is my understanding, indeed. 20 Some of this was difficult to hedge, and my 21 understanding is that it was not 100 percent 22 hedged. 23 Q. And some of it may have been hedged 24 on a portfolio or a delta basis, right? 25 A. That's certainly possible. TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer- 2 Q. Not one-for-one hedging, but some 3 more generic portfolio type hedge? 4 A. I would assume that that would be 5 the case. Although in many cases, depending 6 upon the hedging instruments you have, those 7 will turn out to be relatively the same 8 exercise. 9 (Exhibit 642-A, Agency mortgages, 10 unsupported or excluded file type with 11 attached spreadsheets, BCI-EX-00297317, 12 marked for identification, as of this 13 date.) 14 Q. Sir, I'm handing you a document 15 that's been marked as Exhibit 642-A. Do you 16 recognize this document as backup for 17 Exhibit 533-A? 18 (Witness reviewing document.) 19 A. That's what it appears to be, yes. 20 Q. If we can go back to Appendix 4 in 21 your report. Let's go to item No. 4, U.S. 22 Agency CMOs. Page 109. 23 (Witness reviewing document.) 24 Q. Are you there, sir? 25 A. Page 109? TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 246</p> <p>1 - P. Pfleiderer-</p> <p>2 Q. Yes. On page 109 and 110, you</p> <p>3 discuss U.S. Agency CMOs and on page 110, the</p> <p>4 bottom line is securities that had an</p> <p>5 aggregate custodial value of roughly \$1.2</p> <p>6 billion are valued by Barclays at roughly</p> <p>7 \$700 million, correct?</p> <p>8 A. 7.74.</p> <p>9 Q. No.</p> <p>10 A. .74.</p> <p>11 Q. Actually, they were reduced even</p> <p>12 further?</p> <p>13 A. That was at the midpoint marks.</p> <p>14 And then once you put on the liquidity</p> <p>15 adjustment or exit -- to move them to exit</p> <p>16 prices, then it is .697 billion.</p> <p>17 Q. Did you study Barclays' methodology</p> <p>18 for reducing the value of the CMO securities</p> <p>19 by 10 percent, sir?</p> <p>20 A. There is a liquidity file that was</p> <p>21 probably used to establish this 10 percent.</p> <p>22 And there's back up to that liquidity file in</p> <p>23 terms of how various entries in that were</p> <p>24 determined. I'd have to go back and look and</p> <p>25 see how it relates to these particular classes</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 247</p> <p>1 - P. Pfleiderer-</p> <p>2 of securities.</p> <p>3 (Exhibit 643-A, 2/2/09 memo from</p> <p>4 PwC to Richard Landreman,</p> <p>5 PwC-BarCapWP_00023327, marked for</p> <p>6 identification, as of this date.)</p> <p>7 Q. If you go to the "Liquidity" tab on</p> <p>8 the spreadsheet that's up on the screen which</p> <p>9 is 995.xls, does that contain at least some of</p> <p>10 the backup information for the liquidity</p> <p>11 adjustments that were made?</p> <p>12 A. It contains the lookup table for</p> <p>13 the liquidity adjustments, but there is</p> <p>14 another file that contains some analysis that</p> <p>15 was done for the liquidity adjustments of</p> <p>16 various entries here.</p> <p>17 Q. Just so I understand the lookup</p> <p>18 table. So this is the "Liquidity" tab,</p> <p>19 something you refer to as "a lookup table" in</p> <p>20 995.xls.</p> <p>21 Can you describe what's contained</p> <p>22 in this lookup table?</p> <p>23 A. So if we go back to the "PMTG" tab</p> <p>24 and we find an entry where they applied this</p> <p>25 as opposed to the sale. We can go to a</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 248</p> <p>1 - P. Pfleiderer-</p> <p>2 different tab and find it perhaps quicker.</p> <p>3 Q. If you can just use an example to</p> <p>4 explain to me what's going on here.</p> <p>5 A. Let's take the emerging markets</p> <p>6 tab.</p> <p>7 If I point at cell M3 here, what</p> <p>8 this is doing is multiplying -- cell 3 is</p> <p>9 multiplying case 3 which is the midpoint mark</p> <p>10 as of the 22nd of September. It is</p> <p>11 multiplying that by a number that it gets by</p> <p>12 going to the "Liquidity" tab and looking up in</p> <p>13 that table, the entry that corresponds to</p> <p>14 what's in column A3 on the EM spreadsheets.</p> <p>15 So if I go to A3. This may be one</p> <p>16 that is hard to get over. It could be a</p> <p>17 hidden cell. Or a hidden column, excuse me.</p> <p>18 So I -- in this particular</p> <p>19 spreadsheet, column A was hidden and I had to</p> <p>20 unhide it. But once I've done that, I see</p> <p>21 that column A contains the entry "EM" for</p> <p>22 emerging markets for each one of these CUSIPs</p> <p>23 which, of course, corresponds to the fact that</p> <p>24 they're all put in the spreadsheet "EM."</p> <p>25 So going back to M3, cell M3,</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 249</p> <p>1 - P. Pfleiderer-</p> <p>2 what's happening here is that cell K3, which</p> <p>3 is the midpoint market value, is being</p> <p>4 multiplied by the number we get by going to</p> <p>5 the lookup table, which is in the "Liquidity"</p> <p>6 spreadsheet, finding the row that has an EM</p> <p>7 entry in it and going basically to that second</p> <p>8 column -- that's what that "2" there means --</p> <p>9 to get a number.</p> <p>10 So if we go to "Liquidity" table</p> <p>11 and we scroll down and find EM, which happens</p> <p>12 to be in row 47, we see that the number is</p> <p>13 0.97. So there's a three percent reduction</p> <p>14 from the midpoint value to the exit price to</p> <p>15 reflect the illiquid nature of this particular</p> <p>16 security and what you would get if you were</p> <p>17 selling -- selling it as opposed to buying it.</p> <p>18 Q. With respect to EM, this three</p> <p>19 percent liquidity discount is applied to every</p> <p>20 EM CUSIP, right?</p> <p>21 A. We would have to scroll down that</p> <p>22 column to see if that was, in fact, true. In</p> <p>23 some cases, on some spreadsheets things are</p> <p>24 overridden because of other information. But</p> <p>25 in this particular case it look like they're</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 250</p> <p>1 - P. Pfleiderer-</p> <p>2 accessing that for each of the CUSIPs.</p> <p>3 Q. And these emerging market</p> <p>4 securities, were these debt securities,</p> <p>5 combination, do you know?</p> <p>6 A. I believe that a good number of</p> <p>7 them were debt securities. But I'd have to go</p> <p>8 back and look. Let's see if it's in this</p> <p>9 particular spreadsheet.</p> <p>10 (Witness reviewing screen.)</p> <p>11 A. We certainly know that the ones</p> <p>12 that have factors are not equities.</p> <p>13 Q. And where is your factor column?</p> <p>14 A. In other words, I should say the</p> <p>15 ones that have factors that are not equal to</p> <p>16 one. So the factor column is column B. So</p> <p>17 the first row we see a factor of 0.55, so that</p> <p>18 CUSIP almost certainly is a fixed income</p> <p>19 instrument and not a -- not an equity. And</p> <p>20 that would be true for column -- excuse me.</p> <p>21 For row 23 and row 39.</p> <p>22 The others that have factors of one</p> <p>23 could be equities, but judging by many of the</p> <p>24 prices, I think one could conclude that the</p> <p>25 bulk of them are fixed income. But that's --</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 251</p> <p>1 - P. Pfleiderer-</p> <p>2 that's a surmise based upon what's seen in</p> <p>3 this spreadsheet. And if you were to ask me</p> <p>4 about any particular CUSIP, the best thing to</p> <p>5 do would be to check online to see whether</p> <p>6 there's information about that CUSIP. That</p> <p>7 would be one way to determine what it is.</p> <p>8 Q. And if I'm reading this</p> <p>9 spreadsheet, the "EM" tab of the 995.xls</p> <p>10 spreadsheet correctly, a flat three percent</p> <p>11 discount is applied to every one of those</p> <p>12 CUSIPs regardless of size, maturity or any</p> <p>13 other individual characteristics of that</p> <p>14 CUSIP; is that right?</p> <p>15 A. Again, I scrolled down column M and</p> <p>16 I did it quickly so I'm not absolutely sure.</p> <p>17 But it appears that each one of the entries is</p> <p>18 adjusted by that three percent discount.</p> <p>19 Q. Going back to your Appendix 4, item</p> <p>20 No. 4, the U.S. Agency CMOs, is it your</p> <p>21 understanding that the U.S. Agency CMOs were</p> <p>22 reduced by a fixed 10 percent applying a</p> <p>23 similar methodology; there's a liquidity</p> <p>24 discount that's applied to everything that is</p> <p>25 tagged as a U.S. Agency CMO?</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 252</p> <p>1 - P. Pfleiderer-</p> <p>2 MR. SHAW: Objection to form.</p> <p>3 A. I'm not going to use the word "all"</p> <p>4 in my answer because the way that this</p> <p>5 spreadsheet works, or any of these</p> <p>6 spreadsheets, is that a formula for a</p> <p>7 particular CUSIP can be altered to use some</p> <p>8 other pricing mechanism or some other</p> <p>9 assumption. So to answer your question, I</p> <p>10 would have to look at all the ones that fell</p> <p>11 into a particular category and then scroll</p> <p>12 over to see if the lookup table is being used</p> <p>13 or perhaps something else.</p> <p>14 Q. But staying with the lookup table,</p> <p>15 where on this lookup table would you find the</p> <p>16 liquidity discount for U.S. Agency CMOs?</p> <p>17 A. So at least the way it's sorted</p> <p>18 here -- and again I have to caution that if</p> <p>19 the spreadsheet is sorted in a different way,</p> <p>20 the rows will not correspond to what I'm about</p> <p>21 to say.</p> <p>22 But given the sort that I'm looking</p> <p>23 at now, the IOs, U.S. Agency CMO, interest on</p> <p>24 the U.S. Agency CMO corresponds to row 7 and</p> <p>25 has a liquidity haircut factor of .9, which is</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 253</p> <p>1 - P. Pfleiderer-</p> <p>2 10 percent.</p> <p>3 Q. And in fact, there's a same</p> <p>4 liquidity haircut discount for inverse IOs,</p> <p>5 right above that, U.S. Agency CMO inverse IOs?</p> <p>6 A. Yes, that appears to be the case</p> <p>7 here.</p> <p>8 Q. Again, the same percent is used for</p> <p>9 complex floaters, right?</p> <p>10 A. That appears to be the case, yes.</p> <p>11 Q. What did you do to satisfy yourself</p> <p>12 that the same liquidity discount was</p> <p>13 appropriate for IOs, inverse IOs, inverse</p> <p>14 floaters, complex floaters, and several other</p> <p>15 types of U.S. Agency CMOs, all of which seem</p> <p>16 to have a flat 10 percent discount? Does that</p> <p>17 make sense to you, sir?</p> <p>18 A. Well, the approach here, no doubt,</p> <p>19 is to take an average over CUSIPs and here you</p> <p>20 take an average over types of securities. And</p> <p>21 in any work of this sort what is important at</p> <p>22 a certain level of granularity to make sure</p> <p>23 that your average reflects the average that</p> <p>24 would be applied.</p> <p>25 In some cases it may be that you</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 254</p> <p>1 - P. Pfleiderer-</p> <p>2 would use bigger haircuts, in some cases a</p> <p>3 smaller haircut. But if on average this is</p> <p>4 judged by the people who are putting this</p> <p>5 together -- and, of course, this is reviewed</p> <p>6 by PricewaterhouseCoopers -- as a way to</p> <p>7 reflect the average within that class, then it</p> <p>8 is appropriate to do that.</p> <p>9 So you could have had a much more</p> <p>10 complicated analysis that would go down CUSIP</p> <p>11 by CUSIP to do an analysis, but at that level</p> <p>12 of granularity, the gain in accuracy is</p> <p>13 probably illusory because you're basically</p> <p>14 going to get some that are more and some that</p> <p>15 are less, but the average is going to reflect</p> <p>16 the population?</p> <p>17 Q. And do you have an understanding</p> <p>18 with respect to U.S. Agency CMOs how that</p> <p>19 average that was used was calculated?</p> <p>20 A. I'd have to go back and look at</p> <p>21 some of the support documents to refresh my</p> <p>22 memory. But sitting here now, I don't</p> <p>23 remember exactly what the analysis was done</p> <p>24 for these. I remember we were talking about</p> <p>25 the emerging market, I remember looking</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 255</p> <p>1 - P. Pfleiderer-</p> <p>2 specifically at that and can tell you how that</p> <p>3 issue -- can tell you how that was done. But</p> <p>4 in this particular one, I have to refresh my</p> <p>5 memory.</p> <p>6 Q. Let me see if I can do that. I'm</p> <p>7 handing you what's been marked as</p> <p>8 Exhibit 643-A.</p> <p>9 You've seen Exhibit 643-A before</p> <p>10 today, right?</p> <p>11 A. I believe so, yes.</p> <p>12 Q. What do you recognize it as?</p> <p>13 A. I'm going to read it to make sure.</p> <p>14 (Witness reviewing document.)</p> <p>15 A. So I may be confusing this with</p> <p>16 something else I've seen, but I'm pretty sure</p> <p>17 this is the one that I was thinking of. And</p> <p>18 it actually addresses the issue that I was</p> <p>19 talking about where they are using a -- if you</p> <p>20 read the last paragraph, a 10 percent</p> <p>21 bid/offer reserve at a proxy supported by both</p> <p>22 methods, and then they observed that 75</p> <p>23 percent of the U.S. Agency CMO book was</p> <p>24 derivative structure, IOs, POs and C bonds</p> <p>25 which are basically in some ways like zero</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 256</p> <p>1 - P. Pfleiderer-</p> <p>2 coupon bonds up to a point where interest is</p> <p>3 withheld and paid later.</p> <p>4 And the fact that these generally</p> <p>5 have lower liquidity is used to support, using</p> <p>6 the 10 percent as an average. So you're doing</p> <p>7 what you do in a number of situations where</p> <p>8 you're going to apply an average and you have</p> <p>9 to make sure that that average reflects the</p> <p>10 population, knowing that in some cases you're</p> <p>11 applying it to things that might be a little</p> <p>12 bit below and others that you might be</p> <p>13 applying it to things that might be a little</p> <p>14 bit above what you want to capture. But</p> <p>15 overall on average, is going to lead to an</p> <p>16 unbiased and accurate result.</p> <p>17 Q. And the effort to come up with this</p> <p>18 10 percent bid/offer, that effort relied at</p> <p>19 least in part on these observations that were</p> <p>20 collected on page 2 of the exhibit of buys and</p> <p>21 sales on specific days for specific</p> <p>22 securities, correct?</p> <p>23 A. That is my understanding of what</p> <p>24 this is, yes, it is.</p> <p>25 Q. And BBG type is what, Bloomberg</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 257</p> <p>1 - P. Pfleiderer-</p> <p>2 type?</p> <p>3 A. That would be my assumption here.</p> <p>4 I would assume that that's the case, yes.</p> <p>5 Q. And so this table of page 2 of</p> <p>6 Exhibit 643-A is used to come up with an</p> <p>7 average bid/offer spread for U.S. Agency CMOs.</p> <p>8 Do you see that?</p> <p>9 A. That's right.</p> <p>10 Q. Of 10.55 percent. And then that</p> <p>11 10.55 percent is used as a basis for</p> <p>12 supporting the 10 percent bid/offer average</p> <p>13 that's used for U.S. Agency CMOs by Barclays,</p> <p>14 correct?</p> <p>15 A. The .9 factor that's in the</p> <p>16 spreadsheet that we were just looking at under</p> <p>17 "Liquidity," yes.</p> <p>18 Q. Now, if you look at the sample</p> <p>19 that's used to drive that 10.55 percent, sir,</p> <p>20 you'll see that you have a series of entries</p> <p>21 where the bid of percentage is 15 percent or</p> <p>22 greater, and you have a series where the</p> <p>23 percentage is well below one percent. Do you</p> <p>24 see that?</p> <p>25 A. I do.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

- P. Pfleiderer-

Q. So that's not a normal distribution, right?

A. Do you mean Gaussian?

Q. Gaussian, yes. You got two lumps. You got a cluster of observations that are high and you got a cluster of observations that are low?

A. Indeed.

Q. Right.

A. I suspect that these have been sorted on the last column.

(Mr. Gaffey entering the room.)

A. Although it looks to be that it is sorted on that.

Q. Is there anything about the fact that you have a collection of high observations and a collection of low observations --

A. Excuse me. I just want to correct my answer, what I said. It sort of appeared to be sorted. But actually as I look at it again, it is not completely sorted. The last entries are somewhat bigger than the entries a little bit above. So it is not sorted on the

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last column, but it comes close to being sorted on the last column.

Q. Is there anything about the distribution of those percentages, the fact that you have a collection of very high readings relative to a collection of very low readings that concerns you at all about the validity of using an average with respect to the U.S. Agency CMOs?

A. Well, the answer is no because of the last paragraph on the first page. So 75 percent of the U.S. Agency CMOs book was derivative structures. So 75 percent is going to be drawn from the top part, and 25 percent by the bottom. So based upon that informational loan, that would indicate that the 10 percent, which is roughly an average of half at the top and half at the bottom, is actually conservative.

So I would interpret this table with the information that is provided in the last paragraph of the page below -- excuse me, the other side of the page, as indicating that this was probably a conservative method that

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was used by Barclays.

And my understanding is, again, that this had to be reviewed by PricewaterhouseCoopers, so they were issue -- they were probably trying to be -- this is speculation on my part. But I assume they were being conservative because my understanding is it would -- it would be reviewed by PricewaterhouseCoopers.

Q. But you don't know whether it was reviewed by PricewaterhouseCoopers, right?

A. I don't specifically know that this was reviewed. By understanding is they did review -- I believe they did review the liquidity adjustments that were being made. I have a recollection that that was -- I'm trying to remember whether that was in a phone call or how I heard that. I'm not sure, as I sit here today, that this particular analysis was reviewed.

But I understand that PricewaterhouseCoopers did -- did a thorough review of their procedures.

Q. But you don't know whether this one

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was reviewed and if they did review it, you don't know what they did to review it?

A. Again, I did not -- as I said before, I did not talk to anyone at PricewaterhouseCoopers, so I don't know -- I don't know the specifics.

Q. Other than anything PricewaterhouseCoopers may or may not have done, did you or your staff try to replicate this exercise that was done by Barclays?

A. I did not. And again, I have to give the same answer. The staff that was working on this did an incredible amount of analysis, so there were things that were done that were basically done to get comfort levels. They would call to my attention things that were deserving of further investigation and called to my attention things where there was quite a degree of competence in making the assessments that I was making throughout the report.

So I do not know whether staff went through the exercise of trying to replicate the analysis that was done here.

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<p>1 - P. Pfleiderer-</p> <p>2 If you talk about replicating this</p> <p>3 analysis what I would assume that that would</p> <p>4 entail is simply going out and looking at</p> <p>5 these CUSIPs and getting this information and</p> <p>6 I have no reason to believe that this</p> <p>7 information is incorrect or that the 10.55</p> <p>8 percent is an average of that column or</p> <p>9 anything else. So I'm not sure what the value</p> <p>10 of replication would be here.</p> <p>11 Q. Just as you sit here today, you</p> <p>12 don't know anything specifically that your</p> <p>13 staff did to validate this analysis; is that</p> <p>14 right?</p> <p>15 A. I don't -- I don't recall that they</p> <p>16 looked at this. They may have. I'm not sure.</p> <p>17 Q. Well, they may have done a lot of</p> <p>18 things. Do you know whether they did anything</p> <p>19 with respect to 6.3?</p> <p>20 A. No. It is the same answer as</p> <p>21 before. On many of these things, they may</p> <p>22 have, they may not have.</p> <p>23 Q. You don't know, right?</p> <p>24 A. I'm sorry?</p> <p>25 Q. You don't know?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 A. I don't know on what they did or --</p> <p>3 Q. Yes. With respect to this</p> <p>4 particular issue, you don't know what they may</p> <p>5 or may not have done?</p> <p>6 A. For replicating this particular</p> <p>7 spreadsheet, I don't know. But I would assume</p> <p>8 that that would have been inappropriate use of</p> <p>9 their time relative to all the other things</p> <p>10 that they did. So I rather doubt that they</p> <p>11 would have engaged in such an exercise since</p> <p>12 it wouldn't have been terribly, terribly</p> <p>13 relevant to the type of issues that we were</p> <p>14 looking at.</p> <p>15 Q. If you go to item number five --</p> <p>16 MR. SHAW: Before we go to item</p> <p>17 five, can we take a short break?</p> <p>18 MR. TAMBE: Sure.</p> <p>19 (Whereupon, a recess was taken</p> <p>20 from 4:49 p.m. to 5:13 p.m.)</p> <p>21 BY MR. TAMBE:</p> <p>22 Q. All right. We talked this morning</p> <p>23 about situations where Barclays obtained</p> <p>24 third-party quotes from a number of different</p> <p>25 sources and used the minimum quote for</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 purposes of the valuation, correct?</p> <p>3 A. That's correct. As I suggested</p> <p>4 this morning, they did that generally in the</p> <p>5 case of the corporates.</p> <p>6 Q. And you observed that when you were</p> <p>7 looking at the spreadsheets, you observed that</p> <p>8 with respect to the corporates there would be</p> <p>9 third-party quotes and Barclays would use the</p> <p>10 minimum quote for purpose of the valuation,</p> <p>11 right?</p> <p>12 A. As I said, generally that seemed to</p> <p>13 be the policy. I think there were some</p> <p>14 exceptions to that, but that was generally the</p> <p>15 case.</p> <p>16 Q. Just to be clear, did you compare</p> <p>17 that treatment of third-party quotes with the</p> <p>18 printed Barclays policy for pricing</p> <p>19 securities?</p> <p>20 A. I read through documents that gave</p> <p>21 the policy. I don't recall specific</p> <p>22 discussion of that particular issue.</p> <p>23 Q. And with respect to these</p> <p>24 securities and with respect to the corporates,</p> <p>25 when you observed that Barclays was using the</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 minimum price, did you have any conversations</p> <p>3 with Barclays to ask them why they were using</p> <p>4 the minimum price as opposed to an average or</p> <p>5 some other methodology?</p> <p>6 A. I personally did not. But my</p> <p>7 recollection is fairly strong that my staff</p> <p>8 working at my direction did. And as I recall,</p> <p>9 the notion was within the time period that</p> <p>10 they were looking at, prices were falling. So</p> <p>11 by taking the minimum, you're more likely to</p> <p>12 capture the value at that time.</p> <p>13 But that may have been a discussion</p> <p>14 on corporates or it may have been a discussion</p> <p>15 on some other group of assets. But I do</p> <p>16 recall that there was justification for taking</p> <p>17 a minimum based upon the fact that the markets</p> <p>18 were falling at that time.</p> <p>19 And again, the idea was, I believe,</p> <p>20 to at the moment they captured the price, to</p> <p>21 get the most recent price as opposed to prices</p> <p>22 that -- quotes, I should say, that would have</p> <p>23 been stale.</p> <p>24 Q. When is it that Barclays went out</p> <p>25 and sought these quotations with respect to</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 corporates or any of the other securities for
3 which they sought third-party quotes?

4 A. I'm not sure of the exact timing
5 because I believe that there was a marking
6 effort that started on the 22nd to capture,
7 capture prices and quotes. But there was also
8 some work that was done retrospectively to
9 establish what the quotes would have been at
10 the time. So I'm not sure what was done on
11 those particular days and what was done by
12 going and getting historical information that
13 related to those days.

14 Q. And do you have an opinion or a
15 view as to the reliability of quotes that were
16 obtained on or about September 22nd versus
17 quotes that were obtained retrospectively? Is
18 one more reliable than the other?

19 A. No. They would have the same
20 degree of reliability as long as they are
21 generally referring to that time period. It
22 is inappropriate to go get a quote today and
23 use a quote that someone is quoting on the
24 market today to value something on the 22nd.
25 But to get information today about what's

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2 being quoted or what prices were on the 22nd,
3 even though you're looking at historical
4 prices, to the extent that that was accurately
5 captured at the time, would still have the
6 same degree of reliability.

7 Q. When you look in the spreadsheets,
8 the spreadsheets that we've been looking at
9 before and you see third-party prices
10 reflected in those spreadsheets, is there
11 information contained in the spreadsheets as
12 to whether those are contemporaneously
13 obtained prices or whether they are
14 retrospectively obtained prices?

15 A. Again, with the distinction that
16 they are not prices that are quoted at later
17 dates for the later dates. I don't believe
18 that there is identification in the
19 spreadsheets that I looked at. I have to go
20 back and look at some of the columns to see if
21 perhaps there were. But I don't recall seeing
22 in the spreadsheets for all CUSIPs.

23 Q. By the way, just to make sure that
24 we're all on the same page, if you could go
25 into one of these spreadsheets and look at an

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1 - P. Pfleiderer-
2 example of a corporate security where Barclays
3 had obtained multiple quotes --

4 If we go back into the 995.xls
5 spreadsheet, what tab are you going to, sir?

6 A. I'm now in the Corporates tab.
7 That's "Corps." And I'm scrolling over to
8 column AB and beyond. So the relevant columns
9 are columns AB, AC, AD, AE and AF.

10 Q. Let's just stop right there.
11 So column AB is titled "Markit,"
12 correct?

13 A. That's correct.

14 Q. And that's a third-party provider
15 of market data for certain types of
16 securities, correct?

17 A. That's correct.

18 Q. What's the next column over, AC?

19 A. "EJV."

20 Q. What is that?

21 A. I believe that's a pricing service
22 that's owned by Reuters. I can't tell you
23 right now what EJV stands for. I did know at
24 one time.

25 Q. What's the next one, AD? Just for

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1 - P. Pfleiderer-
2 the record, the heading there is "ISMADQPP."
3 Do you know what that is?

4 A. I did at one time. But sitting
5 here right now, I can't remember what that
6 stands for.

7 Q. The next column over, AE?

8 A. That is Bloomberg.

9 Q. That's "BBG," Bloomberg; is that
10 right?

11 A. Yes.

12 Q. And the next column over?

13 A. That's basically the Financial
14 Times. I forget what "ID" stands for, but it
15 is the Financial Times or service that gives
16 quotations.

17 Q. We know from your earlier testimony
18 that Bloomberg is a service that at least for
19 certain purposes you and your staff accessed,
20 correct, in connection with this assignment?

21 A. We talked this morning about the
22 number of CUSIPs for which Bloomberg
23 quotations were available. So that was one
24 case where Bloomberg was used.

25 Q. Did you personally access any of

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<p>1 - P. Pfleiderer-</p> <p>2 these other third-party price providers in</p> <p>3 connection with this assignment?</p> <p>4 A. Did I personally access them?</p> <p>5 Q. Yes.</p> <p>6 A. No, I did not.</p> <p>7 Q. Do you know whether your staff</p> <p>8 accessed any of these other third-party</p> <p>9 providers that are reflected on this sheet</p> <p>10 that you were discussing?</p> <p>11 A. I believe that they did.</p> <p>12 Q. And for what purpose did they do</p> <p>13 so?</p> <p>14 A. I believe that that was for getting</p> <p>15 some information about some of the</p> <p>16 difficult-to-price CUSIPs and to see if</p> <p>17 information was available. I don't believe</p> <p>18 that I accessed them for other CUSIPs that we</p> <p>19 see here. But I think on a slightly basis,</p> <p>20 they did.</p> <p>21 Q. The next column over, AG, has a</p> <p>22 heading "Depth"?</p> <p>23 A. That's correct.</p> <p>24 Q. What's your understanding of what</p> <p>25 that column indicates?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 A. That was simply a count of the</p> <p>3 number of quotes that are in those columns.</p> <p>4 So the maximum is five, and the minimum</p> <p>5 obviously is zero. In the case of the one</p> <p>6 that is in row 12, it appears that there was</p> <p>7 no pricing information to be obtained from any</p> <p>8 one of those providers. And so there was</p> <p>9 obviously no depth in the sense of any price</p> <p>10 from any one of these providers.</p> <p>11 So you see there a dash that</p> <p>12 appears indicating that there are no price</p> <p>13 quotes available.</p> <p>14 Q. The next column over, AH, is</p> <p>15 captioned "Composite," correct?</p> <p>16 A. Correct.</p> <p>17 Q. Is that simply an average of the</p> <p>18 quotes that were observed?</p> <p>19 A. I believe it is. But what I will</p> <p>20 do, to make sure, is take an average since the</p> <p>21 formula does not appear. In some cases</p> <p>22 formula was written over and so in those</p> <p>23 cases, one needs to check. And actually --</p> <p>24 make sure I did that correctly. Actually, it</p> <p>25 appears that it is not necessarily an average</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 because I just took an average and got 100.87.</p> <p>3 Q. That's for row 9?</p> <p>4 A. I'm looking at row 9. And the</p> <p>5 composite is recorded as 100.85.</p> <p>6 Q. So do you have an understanding as</p> <p>7 to how the composite was prepared by Barclays?</p> <p>8 A. I may have at one time, but I don't</p> <p>9 recall what it is. I have to explore a little</p> <p>10 bit more.</p> <p>11 I spend a lot of time, in going</p> <p>12 through these spreadsheets, reverse</p> <p>13 engineering what was actually done in just the</p> <p>14 way that you see me doing as you sit here now.</p> <p>15 If something was labeled as a composite and</p> <p>16 the formula was not there, I would do exactly</p> <p>17 what I just did a few minutes ago and that is</p> <p>18 put in a formula to see where that number came</p> <p>19 from so I had a full understanding of what</p> <p>20 procedures were being followed.</p> <p>21 Because like I said, in some cases</p> <p>22 the formula is given and in other cases, it</p> <p>23 appears that the analyst that was preparing</p> <p>24 this spreadsheet and those that were working</p> <p>25 on it did what you could call a value paste,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 where they highlighted the cells and copied</p> <p>3 them and then pasted them as values so that</p> <p>4 they wouldn't be -- wouldn't change their base</p> <p>5 that they hardwired in. And in doing that,</p> <p>6 you lose the information as to how they were</p> <p>7 calculated. But in a case like this, we can</p> <p>8 spend some time and figure out potentially</p> <p>9 what -- what's being done here to come up with</p> <p>10 these numbers. But it does not seem to be a</p> <p>11 simple average.</p> <p>12 Q. Do you recall asking Barclays about</p> <p>13 how the "Composite" column was calculated on</p> <p>14 this spreadsheet?</p> <p>15 A. I did not. And the reason is -- I</p> <p>16 will show you what the reason is by going to</p> <p>17 the summary page and going to -- so I'm now on</p> <p>18 the "Summary" tab.</p> <p>19 Q. For 995.xls?</p> <p>20 A. And if I go to row D -- I'm sorry.</p> <p>21 I'm going to -- I want to go -- I misspoke. I</p> <p>22 want to go to column E, row 4. And I see that</p> <p>23 that is pointing to column N1 -- sorry. To</p> <p>24 cell N1 in the "Corporation" tab.</p> <p>25 And if I go to N1, I see that it --</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 actually, I went to the wrong one. I'm sorry.</p> <p>3 Am I in the right one?</p> <p>4 Q. You are in the right one. You are</p> <p>5 in "Corps" in column N?</p> <p>6 MR. SHAW: He's actually in N3.</p> <p>7 A. Unfortunately I minimized this. I</p> <p>8 made it smaller.</p> <p>9 MR. SHAW: Change it where it says</p> <p>10 55 percent up at the top.</p> <p>11 THE WITNESS: Oh, yes.</p> <p>12 (Witness complying.)</p> <p>13 A. So I go to N1 and what I find is</p> <p>14 that, first of all, it is looking the lookup</p> <p>15 table with liquidity, which might lead you to</p> <p>16 conclude that it was using a different way of</p> <p>17 determining the liquidity here. However, if</p> <p>18 we go to the "Liquidity" spreadsheet we find,</p> <p>19 if we scroll down for Corporate, that all this</p> <p>20 entails is multiplying by one. So there's no</p> <p>21 change that's made there.</p> <p>22 So if we go back to the corporate</p> <p>23 spreadsheet, I just want to emphasize that</p> <p>24 this number that appears here is being</p> <p>25 multiplied by one. Then we have to go to L3.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 For some reason this is not scrolling over.</p> <p>3 We go to L3, which is based upon</p> <p>4 the market -- is labeled the market value for</p> <p>5 September 22nd, and we see that that -- here</p> <p>6 we have a formula so we don't have to reverse</p> <p>7 engineer.</p> <p>8 That is obtained by multiplying J3</p> <p>9 by K3 by 100, and then multiplying that result</p> <p>10 by I3. So we need to go look at K3 and J3 and</p> <p>11 I3. And K3 is the price. And we will need to</p> <p>12 see where that comes from. It is 100.45 for</p> <p>13 this particular row. I3 is the factor and J3</p> <p>14 is the nominal.</p> <p>15 So the issue is where did that</p> <p>16 price of 100.45 come from. And if we scroll</p> <p>17 over here, we see it is the minimum, not the</p> <p>18 composite.</p> <p>19 So you asked me a question and I</p> <p>20 realized I've given the wrong answer here.</p> <p>21 But I'm giving a precise answer. You asked me</p> <p>22 a question, did I talk to Barclays about how</p> <p>23 they came up with the composite. And the</p> <p>24 answer is, that was irrelevant because that</p> <p>25 number, even though it is displayed in this</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 spreadsheet is not used to calculate the</p> <p>3 values that migrate up toward to the summary</p> <p>4 sheet and ultimately to the acquisition</p> <p>5 accounting.</p> <p>6 So it was unimportant to understand</p> <p>7 the genesis of that genesis of that number</p> <p>8 given that it wasn't used anywhere in the</p> <p>9 calculation.</p> <p>10 Q. If you don't mind going to row 9 on</p> <p>11 this spreadsheet which is the Corps tab in</p> <p>12 995.xls.</p> <p>13 Row 9, that's one where you have</p> <p>14 five observations from third parties, correct?</p> <p>15 A. That is correct.</p> <p>16 Q. And the composite price is 100.85,</p> <p>17 the minimum price is 100.63. And if you don't</p> <p>18 mind scrolling over to the left.</p> <p>19 (Witness complying.)</p> <p>20 Q. And it's the minimum price that's</p> <p>21 used or is it the composite price that's used</p> <p>22 with respect to that one?</p> <p>23 A. It is the minimum price.</p> <p>24 Q. Now, you may have already testified</p> <p>25 about this. Did you personally talk to</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Barclays about why minimum price was used?</p> <p>3 A. This may have come up on one of the</p> <p>4 phone calls that I was involved in, or it may</p> <p>5 have been a phone call that staff had with</p> <p>6 Barclays personnel that was relayed to me. I</p> <p>7 don't remember exactly. And it may have come</p> <p>8 up both ways.</p> <p>9 Q. But the explanation that you</p> <p>10 received either by speaking to your staff or</p> <p>11 by speaking to Barclays directly or</p> <p>12 participating in one of these phone calls is</p> <p>13 that because the market was falling, it was</p> <p>14 appropriate to use the minimum price as</p> <p>15 opposed to a composite or some other</p> <p>16 combination?</p> <p>17 A. That's -- as I said before, that's</p> <p>18 my recollection about the use of a minimum in</p> <p>19 some context. I believe it was for the</p> <p>20 corporates here, but it may have been in a</p> <p>21 different context. So I want to be careful to</p> <p>22 say that I'm relying on my recollection of a</p> <p>23 conversation along those lines. I believe it</p> <p>24 probably applied to the corporates, but it may</p> <p>25 have applied to something else. I'm not sure.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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2 **Q. If the composite price wasn't being**
3 **used to value the position, do you know for**
4 **what purpose it was being calculated?**

5 A. No, I don't know that. First of
6 all, we still haven't established exactly what
7 is being calculated here. It doesn't appear
8 to be a simple average, so it is not clear
9 exactly what it represents.

10 But from my reverse engineering and
11 careful reverse engineering of what was done
12 here, it was not used.

13 **Q. And we discussed this a few minutes**
14 **ago, but if you scroll over to the third-party**
15 **prices for that particular row, row 9, that's**
16 **no indication on the spreadsheet as to whether**
17 **those prices were obtained on the 22nd or**
18 **whether they were obtained at some subsequent**
19 **date looking back on the 22nd, correct?**

20 A. I believe that's correct. It could
21 be that they were obtained later and applied
22 to the 22nd, or they could have been
23 contemporaneously obtained. I'm not sure.

24 **Q. Now, other than the corporates,**
25 **were there other securities for which you**

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2 **observed that Barclays had obtained third-**
3 **party pricing information?**

4 **I believe rates may have been**
5 **another area where they obtained third-party**
6 **information, if you can confirm that for**
7 **yourself.**

8 A. Let me make sure that columns are
9 being shown.

10 (Witness reviewing screen.)

11 A. I'm not sure for rates whether this
12 was obtained, a number of third-party pricing
13 in the same way that corporates did. I don't
14 see it here.

15 **Q. Earlier when you were scrolling up**
16 **I saw "Bloomberg" and "FTID." So keep going**
17 **right.**

18 A. I missed it.

19 **Q. There we go. Column AF and AG.**

20 A. Yes, thank you. I hadn't gone far
21 enough in the spreadsheet.

22 **Q. So with respect to rates in**
23 **spreadsheet 995.xls, you at least got two**
24 **columns entitled Bloomberg and FTID and it is**
25 **your understanding those are third-party**

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2 **quotes obtained from those source, correct?**

3 A. Yes. Yes.

4 **Q. And again, this doesn't tell you**
5 **when those quotes were obtained but it tells**
6 **you quotes were obtained?**

7 A. Correct.

8 **Q. Do you have an understanding of**
9 **what methodology or policy was used by**
10 **Barclays in incorporating those third-party**
11 **quotes in its valuation with respect to the**
12 **rates of securities?**

13 A. What I have to do is reverse
14 engineer it because I'm not going to rely on
15 my memory.

16 **Q. So take, for example, row 54?**

17 A. It appears, looking at the formula,
18 if an average cannot be calculated, then it is
19 using F47 for this particular row. Otherwise
20 it is taking an average of the two quotes.

21 **Q. And what is F47, or F? What's**
22 **the F column?**

23 A. So F47 was the Bank of New York
24 mark.

25 **Q. So we'll take the Bank of New York**

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2 **mark, unless it could calculate an average**
3 **based on Bloomberg and FTID?**

4 A. That's correct. At least that's
5 what the formula would indicate that it's
6 doing.

7 **Q. You will note that one of the**
8 **columns that you scrolled by may have**
9 **reflected sales. If you want to scroll back.**

10 (Witness complying.)

11 **Q. Keep scrolling to the left, please.**

12 (Witness complying.)

13 **Q. If you look at column S, that has a**
14 **sales number on it. Do you know with respect**
15 **to this class of securities, what Barclays did**
16 **with respect to the sales prices?**

17 A. Again, to answer your question and
18 make sure that I'm answering it completely
19 accurately, I would go back and look at how
20 values from this particular sheet, the rates
21 sheet, feed into the summary.

22 So if we go to "Summary" and we go
23 to...

24 (Witness reviewing screen.)

25 A. ...the last which -- the last entry

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<p style="text-align: right;">Page 282</p> <p>1 - P. Pfleiderer-</p> <p>2 in the first block which is labeled</p> <p>3 "Treasures/Agencies", that is the one that</p> <p>4 references the rates file.</p> <p>5 We have to go to the rates file and</p> <p>6 go to column N. And the number that appears</p> <p>7 there is the 14 billion number that appears at</p> <p>8 the top of column N which is a sum of</p> <p>9 everything in column N. So we then look at</p> <p>10 the calculation that's being done here. And</p> <p>11 column N is based upon L3. And L3 is based</p> <p>12 upon J3 and K3.</p> <p>13 J3 is the nominal value, and K3 is</p> <p>14 equal to AH3. So we go over to AH3 and we see</p> <p>15 that that's the average price. So that tells</p> <p>16 us that it's using the average here.</p> <p>17 And then we go back to column N and</p> <p>18 see that based upon that calculation, which</p> <p>19 would be taking the average price from those</p> <p>20 two data providers, multiplying it times the</p> <p>21 notional value and dividing by 100 to convert</p> <p>22 it into a total midpoint price. It then takes</p> <p>23 that and multiplies it by what it gets if it</p> <p>24 goes and looks up a value in liquidity table.</p> <p>25 And that value is obtained by looking at the</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 283</p> <p>1 - P. Pfleiderer-</p> <p>2 classification which is in D3 for this</p> <p>3 particular security, and for all the</p> <p>4 securities in column D.</p> <p>5 The one that I'm pointing to which</p> <p>6 is in row 3, is a treasury. So we go to the</p> <p>7 "Liquidity" tab, and we look for Treasures.</p> <p>8 Q. You went by it. It is further</p> <p>9 below?</p> <p>10 A. Thank you.</p> <p>11 Q. So row 35.</p> <p>12 A. So Treasures. And the number that</p> <p>13 appears next to Treasures 0.999, which means</p> <p>14 that it is basically taking ten basis points</p> <p>15 off the price to cover for the change from</p> <p>16 midpoint to exit, which is really basically</p> <p>17 the bid/ask spread for Treasures which is</p> <p>18 quite small because they are traded in a</p> <p>19 liquid market.</p> <p>20 So here we see for Treasures which</p> <p>21 are traded in a liquid market and for which</p> <p>22 the exit price is going to be very, very close</p> <p>23 relatively speaking to the midpoint price, a</p> <p>24 very small liquidity haircut is given in this</p> <p>25 case of only ten basis points.</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 284</p> <p>1 - P. Pfleiderer-</p> <p>2 And we can go through the rest of</p> <p>3 the column and see how it looks up other</p> <p>4 liquidity values depending on the security</p> <p>5 type.</p> <p>6 So to answer the question now that</p> <p>7 we've looked at it and reversed engineered it,</p> <p>8 the price formula for at least that row -- and</p> <p>9 we can look down that column to see how</p> <p>10 uniform it is across all the entries, is</p> <p>11 keying off of the average price and then</p> <p>12 providing a liquidity adjustment from there.</p> <p>13 Q. So with respect to the rates, it is</p> <p>14 not the minimum price that's used, it's an</p> <p>15 average price that's used?</p> <p>16 A. That's right. And the reason here</p> <p>17 is in part that we're taking the midpoint</p> <p>18 price and then we're using a liquidity haircut</p> <p>19 from this table. Whereas for the corporates</p> <p>20 we took those bids, took the minimum, and then</p> <p>21 had no liquidity adjustment. Because if you</p> <p>22 go down here -- since we're on it we can look</p> <p>23 at it very quickly.</p> <p>24 You go down here to column D,</p> <p>25 cell 46 for corporate, it just multiplies it by</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 285</p> <p>1 - P. Pfleiderer-</p> <p>2 one. And you even see in the next column, it</p> <p>3 says "Minimum third-party price utilized in</p> <p>4 place of a bid/offer spread." And that tells</p> <p>5 you a little bit here about where this is</p> <p>6 used.</p> <p>7 It is also used for corporate</p> <p>8 credit, this approach, which is in line 45 --</p> <p>9 row 45. And let's see if it is used anywhere</p> <p>10 else. I think those are the two places.</p> <p>11 Q. If you scroll all the way to the</p> <p>12 bottom of the "Liquidity" tab, please.</p> <p>13 (Witness complying.)</p> <p>14 Q. Turning to table 4 in your expert</p> <p>15 report which is on page 48. If you can turn</p> <p>16 there.</p> <p>17 (Witness complying.)</p> <p>18 Q. Are you there?</p> <p>19 A. I am.</p> <p>20 Q. On page 48. You have in that table</p> <p>21 a left-hand side and a right side. On the</p> <p>22 left-hand side what you have are items that</p> <p>23 appear on the 9/16 balance sheet that was an</p> <p>24 exhibit to the Asset Purchase Agreement,</p> <p>25 correct?</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

- P. Pfleiderer-

MR. SHAW: Objection.

Mischaracterizes.

A. I'm not sure that it was an exhibit. My understanding is that it was actually, as I read in deposition testimony rather repeatedly, not attached to the Asset Purchase Agreement.

Q. But referenced in the Asset Purchase Agreement?

A. I believe there's a reference to it. If my understanding is correct, it is referenced in the section on comp. I may be mistaken about that. But I'm pretty sure, based upon my reading of the record, that it was attached.

Q. Let's just make sure we're all talking about the same documents. Let's put it before you.

I'm handing you what's been previously marked as Exhibit 19. Is this a document that was the source of the left-hand side of your table 4?

A. Yes. Yes, it is. It is important that -- and I do remember -- in this case, I

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- P. Pfleiderer-

do remember the exhibit number, 19. And it is important also to look at the upper right-hand corner. And I believe that says "final" there, which in my recollection distinguishes this from other versions which were not the final ones and were not part of the reference in the APA.

Q. So that's the left-hand side of the sheet. The right-hand side of your table 4, what is your source for the numbers that appear on the right-hand side of table 4?

A. That was a spreadsheet that I understand was produced that has the title 2008 to 2009 -- "2009-2009, 160723, Here's The summary for the 12.xls."

Q. We'll just pull that exhibit so we can take a look at that as well.

MR. TAMBE: Mark that.

(Exhibit 644-A, e-mail from Michael McGarvey Re: Here's the summary from the 12th, BCI-EX-(S)-00213948-51 with attachments, marked for identification, as of this date.)

Q. I handed you what's been marked as
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Exhibit 644-A. Is this the source document that you used to create the right-hand column of table 4?

(Witness reviewing document.)

A. I believe it is. Again, I only look at these in electronic form so I'm not used to looking at the printed copies. But judging from the first page of what you handed me -- I shouldn't say the first page, the fifth page of what you handed me, I recognize that as the summary information.

And as you see in the upper right-hand, it does say "Balance sheet by GAAP asset type 9/12/2008." So that was, I believe, the document that's being referenced.

Q. There is a reference on that page you are referring to, which is the fifth page of this exhibit, on the left-hand side you've got the net long inventory and on the right-hand side you've got the net short inventory. Do you see that?

A. That's correct.

Q. And the numbers that appear on the "grand total" line of this document on the net

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long side are 65 billion and on the net short side 48 billion. Do you see that?

A. I do.

Q. Do you recall in the Asset Purchase Agreement there was a reference to positions, net long positions with a value of 70 billion and net short positions with a value of 69 billion. Do you generally remember that?

A. I do.

Q. Have you found any documentation that supports the \$70 billion and the \$69 billion numbers that appear in the APA?

MR. SHAW: Objection to form.

A. My understanding is that -- based upon reading the record, is that there's a substantial confusion over how the number 70 billion was determined.

I will note that if you subtract off the mortgages from the left-hand side of Exhibit 19, you get a number that is quite close to 70 billion. Not precisely 70 billion, but quite close.

And if you look at the Asset Purchase Agreement, it talks about long
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<p style="text-align: right;">Page 290</p> <p>1 - P. Pfleiderer-</p> <p>2 positions but mortgages, as I recall, I think</p> <p>3 appear on the line below that as a separate</p> <p>4 entity, so that would imply to my reading of</p> <p>5 it, at least, that you would want to take the</p> <p>6 left-hand side of the balance sheet that is in</p> <p>7 Exhibit 19, subtract the 2.7 for mortgages,</p> <p>8 which leaves you with something very, very</p> <p>9 close to 70 billion, which if you round, will</p> <p>10 give you precisely 70 billion.</p> <p>11 Now, I'm just noting that. I don't</p> <p>12 know that that is the source. But I'm noting</p> <p>13 that if you do that exercise that I just went</p> <p>14 through, you do come up with 70 billion.</p> <p>15 Q. So you did the math?</p> <p>16 A. In the way that I just described,</p> <p>17 yes.</p> <p>18 Q. Exhibit 644-A, on the fifth page of</p> <p>19 Exhibit 644-A which, again, is the document or</p> <p>20 the page that feeds into the right-hand side</p> <p>21 column of your table 4.</p> <p>22 A. Uh-huh.</p> <p>23 Q. What's the source, if you know, for</p> <p>24 the valuations that appear under the "Net</p> <p>25 Long" inventory column on that table?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 291</p> <p>1 - P. Pfleiderer-</p> <p>2 A. So I would have to, first of all,</p> <p>3 look at this in spreadsheet form, in</p> <p>4 electronic form, I should say, and look at any</p> <p>5 backup formulas that are used to begin to</p> <p>6 answer your question to see where the numbers</p> <p>7 that are reported on page 5 might be drawn</p> <p>8 from. And I'm not sure they point directly to</p> <p>9 anything in this particular spreadsheet. They</p> <p>10 may be imported from something else. I have</p> <p>11 to go back and look.</p> <p>12 Q. Well, this table 4 plays a role in</p> <p>13 one of the opinions you're expressing,</p> <p>14 correct? I mean, this is part of your opinion</p> <p>15 that based on the documents you reviewed, you</p> <p>16 detected no hidden \$5 billion discount at</p> <p>17 inception, correct?</p> <p>18 A. Yes.</p> <p>19 Q. That's the reason you got table 4</p> <p>20 in here.</p> <p>21 As you sit here today, sir, what is</p> <p>22 your understanding of the source of the</p> <p>23 numbers that you extracted from Exhibit 644-A</p> <p>24 and put on in the right-hand side of table 4?</p> <p>25 A. I'll refer you to page 50 of my</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 292</p> <p>1 - P. Pfleiderer-</p> <p>2 report, footnote 66, in which I say, "To</p> <p>3 confirm that the LBI inventory by GAAP asset</p> <p>4 type discussed in this subsection accurately</p> <p>5 reflected the net long inventory balances on</p> <p>6 the LBI" --on LBI's books as of September 10.</p> <p>7 Excuse me. I misspoke, "September 12, 2008,</p> <p>8 staff working at my direction acquired from</p> <p>9 Barclays a GFS report which as I understand it</p> <p>10 captured all LBI positions as of that date."</p> <p>11 And not to read the rest of it, but they went</p> <p>12 through and calculated values from that and</p> <p>13 found that they were in very close agreement</p> <p>14 to what appears here.</p> <p>15 So the GFS report is in close</p> <p>16 agreement -- for the 12th, is in close</p> <p>17 agreement to what appears here.</p> <p>18 Q. And that GFS report that you or</p> <p>19 your staff asked to be pulled, has that been</p> <p>20 produced in this case?</p> <p>21 A. I'm not sure. I don't know.</p> <p>22 MR. TAMBE: Counsel?</p> <p>23 MR. SHAW: I don't know. We can</p> <p>24 look into it.</p> <p>25 Q. Was there a particular path or a</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 293</p> <p>1 - P. Pfleiderer-</p> <p>2 particular query that you ran against the GFS</p> <p>3 data in order to prepare that report?</p> <p>4 A. I'd have to ask the staff working</p> <p>5 at my direction exactly how they implement it.</p> <p>6 That was not something that I did.</p> <p>7 Q. And that exercise, the pulling of</p> <p>8 the GFS data in response to a query that was</p> <p>9 done of the system, you don't know whether</p> <p>10 that's, in fact, the way 644-A was prepared,</p> <p>11 correct?</p> <p>12 A. That someone pulled up the GFS at a</p> <p>13 later date and did it? No, obviously not. It</p> <p>14 was prepared at the time that this e-mail was</p> <p>15 sent or before. And the precise way that it</p> <p>16 was prepared is not clear from, I believe, the</p> <p>17 spreadsheet that is in front of you.</p> <p>18 But the fact that it accords very,</p> <p>19 very closely with the GFS information leads me</p> <p>20 to conclude that it was a very accurate</p> <p>21 summary of what Lehman's position was using</p> <p>22 its own marks as of September 12th as it</p> <p>23 related to the net long inventory.</p> <p>24 Q. And in Footnote 66, other than</p> <p>25 telling us it is very close, you don't</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 294</p> <p>1 - P. Pfleiderer- 2 quantify how close is "very close," correct? 3 A. I think, as I recall, the 4 differences were close to immaterial in 5 percentage terms. But I'd have to go back and 6 check it in terms of what the exact 7 differences were. 8 Q. When you did your analysis as to 9 whether or not there was some hidden 10 \$5 billion discount at inception, did you take 11 into account Exhibit 200, which I've placed in 12 front of you? 13 (Witness reviewing document.) 14 A. I know I've looked at this before 15 because I recognized the -- or something. I 16 should say, I know I looked at either this or 17 something very similar. I recognize the 18 crossing outs and the various notations at the 19 side. 20 I don't even know how I would take 21 into account this given that there are so many 22 numbers that are crossed out. And I don't 23 know what this was prepared to do. I don't 24 know which numbers are supposed to be 25 governing, so I see, for instance, in total TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 295</p> <p>1 - P. Pfleiderer- 2 corporate debt, I see a 5.4, but then I see a 3 5.0. When I see "mortgages", I see a 6.5, and 4 then I see a 5.8 written beside it. 5 So there is no way for me as an 6 expert in financial economics to look at 7 something that's all marked up like this and 8 interpret it in any way. 9 Q. Did you ask around at Barclays, the 10 former Lehman employees, if any of them could 11 help you understand what this was? 12 A. Did I personally? 13 Q. Yes. 14 A. No. 15 Q. Do you know if your staff did? 16 A. I wouldn't even know who would be 17 asked. What you have given me has no name on 18 it, so I wouldn't know. You handed me this. 19 There is not a name on it that would indicate 20 who you would even ask. 21 Q. If you saw a document marked 22 exhibit something, would you be at all curious 23 to go and look to see if it was ever testified 24 about in any deposition that was provided to 25 you? Did you do that? TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 296</p> <p>1 - P. Pfleiderer- 2 A. That is quite possibly the way that 3 I encountered it was in a deposition. I, 4 sitting here today, do not remember which 5 deposition it was or what the testimony was. 6 Q. Do you recall going and asking a 7 deponent who may have testified about this 8 document, questions about what this document 9 meant? 10 A. I did not personally ask anyone 11 about this particular document. 12 Q. Are you aware that Mr. Tonucci has 13 testified about the possibility of a 14 \$5 billion discount. Are you aware of that? 15 A. I remember that in a number of 16 different depositions there were phrases of 17 "\$5 billion adjustments," "\$5 billion in 18 discount," "\$5 billion in change in the marks" 19 and so on and so forth. So I recall that. 20 So what I did in response to that 21 confusing testimony, as I explained in my 22 report, I went to what is labeled here as the 23 final exhibit -- I shouldn't say the final 24 exhibit. But the final estimated acquisition 25 balance sheet with SB, which is Stephen TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 297</p> <p>1 - P. Pfleiderer- 2 Berkensfeld's initials on it, and is noted as 3 final. And I took that among the very many 4 that were obviously to in my mind -- since 5 they didn't carry final -- not the final ones, 6 it didn't have his initials on it. 7 I took that and compared it to the 8 marks that Lehman was putting on its books for 9 Friday before there was any discussion of any 10 consequence with Barclays about acquiring LBI. 11 I realize there were some preliminary 12 discussions over the weekend about LBHI. But 13 on Friday, the books that Lehman had did not 14 in any way reflect any type of negotiations 15 with Barclays, because negotiations hadn't 16 commenced. 17 And I look at this and I compare it 18 to what is on the 12th, and there is no 5 19 billion. 20 Q. Done? Is your answer complete? 21 A. I may have more to say about that, 22 but I'm done for the moment. 23 Q. I know you may have more to say 24 about it, but would you like to answer my 25 question now? TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 MR. TAMBE: Can you read back my</p> <p>3 question?</p> <p>4 (Record read as follows:</p> <p>5 "Question: Are you aware that</p> <p>6 Mr. Tonucci has testified about the</p> <p>7 possibility of a \$5 billion discount.</p> <p>8 Are you aware of that?")</p> <p>9 Q. Do you understand my question?</p> <p>10 A. I think in my answer, I did say --</p> <p>11 Q. Can you answer my question, please,</p> <p>12 sir?</p> <p>13 A. I did say that I was aware of it.</p> <p>14 And then I went on to explain that being aware</p> <p>15 of a number of discussions in the record about</p> <p>16 adjustments of 5 billion, I went and I did</p> <p>17 this exercise to see if it was there, and I</p> <p>18 found that it wasn't, at least not in terms of</p> <p>19 a delta between what is on Exhibit 19 and what</p> <p>20 was in the books of Lehman the 12th.</p> <p>21 Q. So you see deposition testimony</p> <p>22 about the possibility of a \$5 billion</p> <p>23 discount, but you don't go and speak to any of</p> <p>24 the people who've testified about the</p> <p>25 \$5 billion discount; is that your position,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 sir?</p> <p>3 A. They testified about it under oath.</p> <p>4 I read the depositions and the record, as I</p> <p>5 suggest, is quite confused as to what was</p> <p>6 going on. So I address something here that is</p> <p>7 not confused in the sense that there is</p> <p>8 Exhibit 19, which has been put forward as the</p> <p>9 estimated acquisition balance sheet as I</p> <p>10 understand it, and there is information that</p> <p>11 could be obtained based upon Lehman's marks on</p> <p>12 the 12th which is clearly being produced</p> <p>13 before any discussion with Barclays. I</p> <p>14 compare that and I find no delta of 5 billion.</p> <p>15 Q. And having concluded that, did you</p> <p>16 then go back to Mr. Tonucci or any of the</p> <p>17 former Lehman employees who testified about</p> <p>18 this discount who are now with Barclays and</p> <p>19 say, what were you talking about? I don't see</p> <p>20 any \$5 billion discount? What are you talking</p> <p>21 about Mr. Tonucci? You said that under oath?</p> <p>22 A. That is certainly not my role as an</p> <p>23 expert to go back and talk to some deponent.</p> <p>24 At least I -- I did not interpret -- let me</p> <p>25 qualify that. I did not interpret my role as</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 an expert in this case to go back and either</p> <p>3 accuse individuals of having mistaken</p> <p>4 recollections or saying things that were</p> <p>5 mistaken. My role, as I understood it, was to</p> <p>6 look at the evidence that could be looked at.</p> <p>7 And we have here an example of an</p> <p>8 estimated balance sheet which I believe is the</p> <p>9 one that everyone refers to, at least that's</p> <p>10 my reading of the testimony. Exhibit 19 is</p> <p>11 the one that is always put forward, at least</p> <p>12 in my reading and to look at the Barclays --</p> <p>13 excuse me, I misspoke, the Lehman marks as of</p> <p>14 the 12th and find a very close accord and</p> <p>15 nothing that is even remotely close to a</p> <p>16 \$5 billion difference.</p> <p>17 Q. Did you do a valuation of what the</p> <p>18 GFS data showed as of the close of 9/15/2008?</p> <p>19 (Witness reviewing document.)</p> <p>20 A. I was just going back and looking</p> <p>21 at my Exhibit 7 to refresh my memory that it</p> <p>22 was definitely, as I thought, September 17th,</p> <p>23 not the 15th.</p> <p>24 And so this is, based upon a</p> <p>25 spreadsheet that was available -- that</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 purported to look at the transaction as of the</p> <p>3 17th.</p> <p>4 I did not do work with GS</p> <p>5 systems -- GFS system on the 15th. In</p> <p>6 particular, I thought it was useful to do it</p> <p>7 on the 12th, which I thought is a point that's</p> <p>8 before any discussion of any consequence with</p> <p>9 Barclays commence, so that there couldn't be</p> <p>10 any confusion as to what would have been</p> <p>11 determined as the result of some discussion</p> <p>12 with Barclays, and what is isolated as the</p> <p>13 balance sheet before any such discussions</p> <p>14 began.</p> <p>15 Q. In doing any of the work that</p> <p>16 you've done with the GFS system, have you</p> <p>17 detected any gaps in the GFS system?</p> <p>18 A. I don't know what you mean by</p> <p>19 "gaps".</p> <p>20 Q. For example, securities that, in</p> <p>21 fact, were acquired by Barclays but don't</p> <p>22 appear anywhere on Lehman's GFS system on</p> <p>23 the 12th, the 15th?</p> <p>24 A. Well, I've already spoken about one</p> <p>25 partial example to that, which was the Pine</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 CLO that was acquired by Barclays, but appears</p> <p>3 in GFS just as, I understand it, a CUSIP, but</p> <p>4 doesn't have any information.</p> <p>5 So that was something that was</p> <p>6 acquired on GFS in the sense that there was an</p> <p>7 entry there but no information, very little</p> <p>8 information. Certainly no pricing</p> <p>9 information, which remember was the reason why</p> <p>10 in the end it didn't appear in that</p> <p>11 20-million-and-above filter.</p> <p>12 Q. So the answer to my question is</p> <p>13 what? Do you want my question read back</p> <p>14 again?</p> <p>15 A. Well, I understood your question to</p> <p>16 be is there evidence of a gap between what was</p> <p>17 in the GFS system and what Barclays acquired.</p> <p>18 And what came to mind quickly is what we were</p> <p>19 talking about earlier, the Pine CLO, which was</p> <p>20 acquired by Barclays but had only a CUSIP</p> <p>21 entry, as I understand it, in GFS and no other</p> <p>22 information.</p> <p>23 So whether that constitutes a gap</p> <p>24 or not? It certainly did not have full</p> <p>25 information in the GFS system but was acquired</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 by Barclays. The fact that there was an entry</p> <p>3 for it means that in some sense it was perhaps</p> <p>4 in the inventory but not valued for some</p> <p>5 reason.</p> <p>6 Q. Putting Pine aside, have you</p> <p>7 detected any other instances where CUSIPs</p> <p>8 acquired by Barclays appeared nowhere on the</p> <p>9 GFS system for Lehman on the 12th of</p> <p>10 September, the 15th of September or during</p> <p>11 that week?</p> <p>12 A. The Pine is the only one that</p> <p>13 appears as I sit here.</p> <p>14 Q. Your staff has not reported to you:</p> <p>15 We went back and tried to look at the GFS</p> <p>16 values for the acquired inventories and we're</p> <p>17 finding gaps, we are finding 5, 10 15, 20</p> <p>18 percent of these CUSIPs do not appear on the</p> <p>19 GFS?</p> <p>20 A. The answer to that is no, my staff</p> <p>21 has not reported to me.</p> <p>22 MR. TAMBE: Let's take a short</p> <p>23 break.</p> <p>24 MR. SHAW: Good.</p> <p>25 (Whereupon, a recess was taken</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 from 6:14 p.m. to 6:29 p.m.)</p> <p>3 (Exhibit 645-A, 8/18/08 e-mail Re:</p> <p>4 Balance sheet iterations,</p> <p>5 BCI-EX-(S)-00213926-3936, marked for</p> <p>6 identification, as of this date.)</p> <p>7 BY MR. TAMBE:</p> <p>8 Q. Professor Pfleiderer, I'm handing</p> <p>9 you a document marked as Exhibit 645-A. Take</p> <p>10 a look at the document and let me know when</p> <p>11 you're done?</p> <p>12 (Witness reviewing document.)</p> <p>13 Q. Did you review it?</p> <p>14 A. I certainly looked through it. I</p> <p>15 haven't looked at every item in it, but I</p> <p>16 looked through it.</p> <p>17 Q. Do you recall having reviewed this</p> <p>18 document before today?</p> <p>19 A. I've seen various versions of the</p> <p>20 balance sheet presented in various ways. I'm</p> <p>21 not sure that I saw this particular set in the</p> <p>22 particular order, but I certainly seen</p> <p>23 variations on the estimated balance sheet</p> <p>24 broken up in various ways. I don't know if</p> <p>25 I've seen this particular set or not.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Q. Are you familiar with the names</p> <p>3 John Grenier or Tim Sullivan, the names that</p> <p>4 appear on the front page of this document?</p> <p>5 A. I believe I've seen them before,</p> <p>6 but I don't -- I don't recall. I don't recall</p> <p>7 any specifics.</p> <p>8 Q. If you turn to the last page of</p> <p>9 this exhibit, 645-A, you will see there is a</p> <p>10 footer that appears on the document, not the</p> <p>11 Bates stamp number, but the footer in the</p> <p>12 bottom right-hand corner, it says BS1. Do you</p> <p>13 see that?</p> <p>14 A. I do.</p> <p>15 Q. If you flip the pages to the front</p> <p>16 of the document, you will see it goes from BS1</p> <p>17 to BS2 to BS3. Do you see that?</p> <p>18 A. I do.</p> <p>19 Q. All the way to when you get to the</p> <p>20 first page of the attachment which says "BS6,</p> <p>21 Thursday-9/18." Do you see that?</p> <p>22 A. I do.</p> <p>23 Q. If you understand your previous</p> <p>24 answer, you have not seen a collection of</p> <p>25 draft balance sheets put together in this</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 **- P. Pfleiderer-**
2 **format before today, in this sequence?**

3 MR. SHAW: Objection to form.
4 Mischaracterizes his prior testimony.

5 A. I may have seen them. I'm not sure
6 I saw them in this order. I'm not sure I saw
7 these particular ones. So I don't know how to
8 answer the question.

9 I've seen various versions of
10 balance sheets, quite a few, but I don't have
11 a specific memory of number versus number in
12 each entry whereby I can say that I
13 specifically looked at this, given that there
14 were a number of iterations that I looked at.

15 **Q. And do you recall having any**
16 **discussions with anyone at Barclays about any**
17 **collection of balance sheets which showed a**
18 **progression from balance sheet 1 to a balance**
19 **sheet 6 as set forth in Exhibit 645-A?**

20 A. I personally did not, no.

21 **Q. Do you know if your staff did?**

22 A. They may have. But again the usual
23 answer here, I don't know that they did, I
24 don't know that they did not.

25 **Q. When were you retained in this**

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1 **- P. Pfleiderer-**
2 **matter, sir?**

3 A. My recollection is that my first
4 involvement in this was a series of phone
5 calls that occurred some time in October. I
6 don't have a precise notion in my mind when I
7 was formally retained. But I certainly was
8 involved in understanding the case and reading
9 briefs starting in October.

10 **Q. How did you come to be involved in**
11 **the case?**

12 A. My recollection is that I was
13 contacted by Dr. Vellrath who's sitting to my
14 right and my recollection is that he briefly
15 described the case and asked if I would be
16 interested. I'm not 100 percent sure that
17 that's the way it developed. But I'm fairly
18 sure that that was how it was initiated.

19 I had discussions early on with
20 attorneys at Boise Schiller and I believe that
21 was subsequent to my conversation with Dr.
22 Vellrath, but I'm not exactly sure the exact
23 sequence when things occurred.

24 **Q. Prior to this assignment, had you**
25 **worked with Dr. Vellrath before?**

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1 **- P. Pfleiderer-**
2 A. No. This is the first time I've
3 had the occasion to work with the Finance
4 Scholars Group and with him.
5 **Q. And when you were engaged and**
6 **became involved in the working of this matter,**
7 **was it your understanding that the support**
8 **function or your staff function would be**
9 **provided by the Finance Scholars Group? Or**
10 **were you free to choose whoever you wanted to**
11 **work with?**

12 MR. SHAW: Objection to form.

13 A. I don't recall having a specific
14 understanding. I suspect that in some since I
15 was free to choose if -- my understanding is
16 when an expert is -- actually, I -- I don't
17 know. I think the best answer to that
18 question is I don't know because it was not
19 something that went through my mind as an
20 issue.

21 **Q. When you got some understanding of**
22 **the scope of what you would be doing here, did**
23 **you make any effort to interview people from**
24 **different support services, entities, to see**
25 **who could best support you in this work that**

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1 **- P. Pfleiderer-**
2 **you had been asked to do?**

3 A. It was my understanding, and this
4 may not be correct. But it was my
5 understanding that people at the Finance
6 Scholars Group had already received data and
7 organized it and were set up to analyze
8 things. So based upon that understanding,
9 which I believe is a correct understanding, it
10 was absolutely clear to me that they would be
11 in a position to assist me better than anyone
12 else.

13 And I know by looking at the group
14 and who is involved that they're high quality
15 people that do it and I can similarly say that
16 after having the experience of working with
17 the Finance Scholars Group, they are extremely
18 high quality and I have absolute confidence in
19 everything that's been done.

20 **Q. Do you know when they were retained**
21 **in this matter?**

22 A. I do not.

23 **Q. Was it shortly before you were**
24 **retained or it's your sense they were retained**
25 **long before you came along?**

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<p>1 - P. Pfleiderer-</p> <p>2 A. As I said, I don't know.</p> <p>3 Q. Do you have a sense, just a rough</p> <p>4 approximation, of how many hours you have</p> <p>5 expended in working on this matter?</p> <p>6 A. If I include hours to date,</p> <p>7 somewhere between probably a 150 and 180, or</p> <p>8 maybe approaching 200.</p> <p>9 Q. And do you have any idea of how</p> <p>10 many hours your staff at the Finance Scholars</p> <p>11 Group has expended on this matter?</p> <p>12 A. I wouldn't be able to quantify it.</p> <p>13 But I would expect, given all that I</p> <p>14 understand, that it was done, unless they're</p> <p>15 able to do things at 300 times the speed that</p> <p>16 a normal human being would do, that it was</p> <p>17 quite a bit -- more than what I've done</p> <p>18 certainly.</p> <p>19 Q. And if did a rough break out of the</p> <p>20 total number of hours you spent on this</p> <p>21 matter, how many of those roughly 150 to 200</p> <p>22 hours was spent preparing your report versus</p> <p>23 preparing for this deposition versus your</p> <p>24 reviewing transcripts? Do you have any sense?</p> <p>25 A. I don't know that I could break it</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 down in that fashion. I certainly could break</p> <p>3 it down by time in terms of what I did before</p> <p>4 the filing of my report. In principle, I</p> <p>5 could do that. I don't recall to date how it</p> <p>6 would break along those lines, but I</p> <p>7 considered everything that I did before the</p> <p>8 filing of my report basically preparing for</p> <p>9 the report. So I wouldn't be able to</p> <p>10 distinguish one activity from another in any</p> <p>11 way that would be meaningful.</p> <p>12 Q. Do you record your time separately,</p> <p>13 specific times that you've been doing?</p> <p>14 A. I keep an hourly log and a brief</p> <p>15 description of what I've done. But a lot of</p> <p>16 the entries are descriptive, they're very high</p> <p>17 level.</p> <p>18 Q. Well, for example, if you were</p> <p>19 drafting the report, would you note the</p> <p>20 drafting separately from reviewing</p> <p>21 depositions?</p> <p>22 A. I'd have to go back and look in</p> <p>23 terms of how I put it. A lot of time drafting</p> <p>24 means reviewing documents and reviewing</p> <p>25 documents means thinking about drafting. So I</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 don't know that I distinguish that in that</p> <p>3 way.</p> <p>4 (Exhibit 646-A, PwC Review of</p> <p>5 Barclays capital price testing</p> <p>6 methodology, PwC-BarCapWP_00022935-948</p> <p>7 with attachments, marked for</p> <p>8 identification, as of this date.)</p> <p>9 Q. Professor Pfleiderer, I show you a</p> <p>10 document that's been marked as Exhibit 646-A.</p> <p>11 And drawing your attention to the first 14</p> <p>12 pages of this document. Take a quick look at</p> <p>13 those 14 pages and tell me if you have seen</p> <p>14 this document before today.</p> <p>15 (Witness reviewing document.)</p> <p>16 A. I don't recall this particular</p> <p>17 format. But I may have seen something related</p> <p>18 to this in another format, I'm just not sure.</p> <p>19 And my memory may be faulty. I may have seen</p> <p>20 this and I'm not remembering it in this</p> <p>21 particular format, I just don't recall.</p> <p>22 Q. Do you recall seeing a</p> <p>23 PricewaterhouseCoopers memorandum which had</p> <p>24 embedded in it a series of Excel spreadsheets?</p> <p>25 (Witness reviewing document.)</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 A. I'm not sure. I may have but I'm</p> <p>3 not 100 percent sure that I saw this</p> <p>4 particular format.</p> <p>5 Q. One of the types of securities that</p> <p>6 we talked about earlier today are auction-rate</p> <p>7 securities. Do you remember that discussion?</p> <p>8 A. I do.</p> <p>9 Q. And in particular I asked you a</p> <p>10 question about Giant Stadium bonds. Do you</p> <p>11 remember that?</p> <p>12 A. I do.</p> <p>13 Q. Do you have an understanding one</p> <p>14 way or the other as to whether Giant Stadium</p> <p>15 redeemed the Giant Stadium bonds at any point</p> <p>16 many time?</p> <p>17 A. I believe that they did in -- I</p> <p>18 don't remember the date. But I believe some</p> <p>19 time in early 2009 perhaps or maybe even</p> <p>20 earlier than that date, they did redeem some.</p> <p>21 The penalty rate had gotten to, I think it was</p> <p>22 23 percent, or some high rate. And I believe</p> <p>23 there were some redemptions.</p> <p>24 Q. And the redemptions were at par?</p> <p>25 A. That's my belief, yes.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 Q. Prior to those redemptions, had</p> <p>3 there been any defaults or missed payments by</p> <p>4 Giant Stadium?</p> <p>5 A. I'm not aware of any, no.</p> <p>6 Q. At the time the bonds were</p> <p>7 transferred from Lehman to Barclays, had there</p> <p>8 been any defaults?</p> <p>9 A. I don't believe so, no.</p> <p>10 Q. At what values did Barclays record</p> <p>11 those bonds?</p> <p>12 A. I believe in that case, we can go</p> <p>13 back to the spreadsheet to make sure. But I</p> <p>14 believe that they recorded them Bank of New</p> <p>15 York marks.</p> <p>16 Q. Which were what?</p> <p>17 A. I have to go back and look. I</p> <p>18 certainly reference it. We need to go to the</p> <p>19 spreadsheet of my report.</p> <p>20 Q. Go to Appendix 4 of your report</p> <p>21 where you discussed the Giant Stadium bond</p> <p>22 marks. I believe page 112, you state a range</p> <p>23 between \$10 and \$44 for 100 of face value?</p> <p>24 A. That's correct. Yes, I was having</p> <p>25 trouble remembering the specific number</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 because it was a range.</p> <p>3 Q. With respect to Giant Stadium</p> <p>4 bonds, did you or your staff do any</p> <p>5 independent valuation work to determine</p> <p>6 whether or not that was a proper value for</p> <p>7 those bonds?</p> <p>8 A. I know that there was some focus on</p> <p>9 these bonds by people at Barclays. There were</p> <p>10 some files, I believe, I may be confusing them</p> <p>11 with the Pine CLO files. And I believe</p> <p>12 that -- my recollection is that the staff did</p> <p>13 a fair amount of due diligence on these, but I</p> <p>14 don't remember the particulars.</p> <p>15 Q. Do you have any understanding as to</p> <p>16 any of the due diligence your staff did with</p> <p>17 respect to the Giant Stadium bonds?</p> <p>18 A. Again, I would have to go back and</p> <p>19 talk to them. I don't want to attribute</p> <p>20 something to these that was done for some</p> <p>21 other set of securities, and I'm having</p> <p>22 trouble at this moment keeping in mind what</p> <p>23 was done for, say, the Pine CLO and what was</p> <p>24 done for other securities.</p> <p>25 So I don't want to misspeak by</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 saying that something was done for one set of</p> <p>3 securities when it was, in fact, done for</p> <p>4 something else.</p> <p>5 Q. Do you have a recollection as you</p> <p>6 sit here about any particular direction that</p> <p>7 you gave to your staff with respect to the</p> <p>8 Giant Stadium bonds?</p> <p>9 A. As I recall, after having looked at</p> <p>10 the spreadsheet and saw that they were marking</p> <p>11 them at the same level that Bank of New York</p> <p>12 was marking them, I focused a little bit less</p> <p>13 on that because I took the Bank of New York as</p> <p>14 a mark that Barclays was agreeing with as</p> <p>15 opposed to marks that there was some</p> <p>16 adjustments in which the adjustment had to be</p> <p>17 evaluated more closely.</p> <p>18 But I certainly in discussing</p> <p>19 things with staff, was concerned that any of</p> <p>20 these securities that were certainly being</p> <p>21 discussed in my report, would be given a fair</p> <p>22 amount of attention. I just can't remember</p> <p>23 the particular things that were done with</p> <p>24 respect to these as opposed to other sets of</p> <p>25 securities.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Q. Looking at Appendix 4 to your</p> <p>3 report, item No. 5, relates to Lehman-issued</p> <p>4 warrants and Lehman-issued equity late notes,</p> <p>5 as you labeled it. Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. With respect to that category of</p> <p>8 securities, Barclays' determination was to</p> <p>9 write them off in their entirety, correct?</p> <p>10 A. I believe that was done for all of</p> <p>11 them or almost all of them. I believe it was</p> <p>12 done for all of them, but I have to go back</p> <p>13 and make sure that every one was marked to</p> <p>14 zero. But I believe the bulk of them were.</p> <p>15 Q. Did you review any of the offering</p> <p>16 memoranda for any of this category of</p> <p>17 securities to determine how they were</p> <p>18 structured?</p> <p>19 A. I may have seen something, I'm not</p> <p>20 sure it was an offering memoranda or not,</p> <p>21 related to these because I did have</p> <p>22 discussion, again, with staff. But right now,</p> <p>23 I'm not recalling anything specific as</p> <p>24 something that would definitely be an offering</p> <p>25 memoranda.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-

2 **Q. Did you have a discussion with**
3 **staff or anyone else about whether these**
4 **securities should more properly have been**
5 **valued at the price at which Lehman unsecured**
6 **debt was trading in the days and weeks after**
7 **the bankruptcy filing?**

8 A. We may have had a discussion of
9 that sort. I don't recall sitting here now.
10 I believe there may have been a discussion
11 about what they had done in comparing it to
12 some other Lehman securities but I don't -- I
13 don't recall a specific directive to make
14 comparisons of any particular sort. But I
15 think there were some discussions that related
16 to the class of Lehman securities and what --
17 what were affected by the bankruptcy.

18 Again, my memory is a bit hazy at
19 this point.

20 **Q. Did you have any understanding as**
21 **to why these securities would not be priced at**
22 **the same prices that were prevailing in the**
23 **market for other Lehman securities that were**
24 **trading in the market post-bankruptcy?**

25 A. I don't -- I can recall some
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2 discussions along those lines, but I can't
3 recall what understanding I came to have at
4 the end of those discussions. So sitting here
5 now, I don't recall the specifics.

6 **Q. Do you have any sense of a range in**
7 **which Lehman unsecured debt was trading during**
8 **the week of the 15th of September or the week**
9 **of the 22nd of September?**

10 A. I believe that there -- I may be
11 wrong about this. But I believe that there
12 may be some -- there are certainly some other
13 Lehman debt instruments in the inventory that
14 were priced. I mentioned, for instance,
15 obviously, the commercial paper. So we can
16 look back and sort and see some other data
17 that comes from the actual, the actual
18 inventory.

19 I do remember a conversation in
20 which I had suggested that for some of these,
21 that it would be useful to get debt ratings
22 and various other indications of the value on
23 other debt.

24 So I know that that was looked at.
25 But again, I was hazy about the specifics of
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1 - P. Pfleiderer-

2 those discussions.

3 **Q. But in terms of the opinion that**
4 **you're offering here, you are not quarrelling**
5 **with Barclays' decision to write them off in**
6 **its entirety, correct?**

7 A. I'm basically listing them here as
8 a situation where the BoNY mark was
9 inappropriate, and given the credit risk was
10 very clearly stated on what I was quoting from
11 the general discussion of these that was put
12 up by Lehman, that the credit risk was tied
13 back to the issuer, in this case, Lehman
14 Brothers, that it made sense to significantly
15 mark them down.

16 **Q. Are you quarrelling with Barclays'**
17 **decision to mark them down to zero?**

18 A. No, I'm not.

19 **Q. Do you agree with that decision?**

20 A. I neither agree nor disagree with
21 marking them all the way down to zero. I
22 certainly agree that they should be very
23 significantly marked down. Whether you mark
24 them down to zero or two cents or five cents
25 is not something I would offer an opinion

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1 - P. Pfleiderer-

2 about without doing some more due diligence on
3 it.

4 **Q. Did you have any discussions with**
5 **Barclays as to why they chose to mark them**
6 **down to zero?**

7 A. I did not personally have any
8 discussions, but I know that there were a set
9 of securities that were identified and they're
10 included in the ones that were discussed in
11 this particular section that my staff had
12 discussions with Barclays about the data. I
13 don't know in this particular case what those
14 discussions were.

15 **Q. Or even if there were any**
16 **discussions with respect to these in**
17 **particular?**

18 A. I believe there were based upon my
19 recollection of conversations, but I may be
20 mistaken and confusing it with something else.

21 **Q. As a general matter, sir, is it**
22 **your opinion, are you offering an opinion in**
23 **your report that you agree with the marks, the**
24 **values that Barclays has placed on all of**
25 **these CUSIPs? Or are you simply saying that**

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<p>1 - P. Pfleiderer-</p> <p>2 they are a better value than the one placed by</p> <p>3 BoNY?</p> <p>4 MR. SHAW: Objection to form.</p> <p>5 A. I am certainly not offering the</p> <p>6 opinion that if one goes CUSIP by CUSIP, that</p> <p>7 I agree with every particular mark. I looked</p> <p>8 at a process, I looked at the fact that</p> <p>9 extreme care was taken in the development of</p> <p>10 these, that PricewaterhouseCoopers had audited</p> <p>11 this.</p> <p>12 And I came to a conclusion that</p> <p>13 this provided a good upper bound as to what</p> <p>14 the realizable value of this would be in an</p> <p>15 orderly but quick, fairly quick sale of this</p> <p>16 inventory.</p> <p>17 And that's the opinion that I'm</p> <p>18 offering in my report, and I certainly stand</p> <p>19 by that based upon all that I have done and</p> <p>20 what I understand the staff has done in</p> <p>21 following up on a number of these things and</p> <p>22 investigating -- investigating various things,</p> <p>23 much of which I did discuss with staff. I</p> <p>24 just, as I'm sitting here today, don't</p> <p>25 remember all the details.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Q. Are there any particular valuations</p> <p>3 that Barclays has done that you would say you</p> <p>4 disagree with or have you not made any such</p> <p>5 determination?</p> <p>6 MR. SHAW: Asked and answered.</p> <p>7 A. I haven't -- I haven't gone and</p> <p>8 said here's a CUSIP that I would disagree with</p> <p>9 because that wasn't the process. I looked at</p> <p>10 aggregates, I looked at marks that were being</p> <p>11 placed by BoNY and the adjustments that were</p> <p>12 made and found that those were reasonable</p> <p>13 estimates of what could be achieved in an</p> <p>14 orderly exit. And that's my conclusion.</p> <p>15 MR. TAMBE: I think in the interest</p> <p>16 of time, I'm going to pass the</p> <p>17 questioning to other counsel that have</p> <p>18 questions to ask.</p> <p>19 We certainly have areas of inquiry</p> <p>20 that we would like to pursue with</p> <p>21 Professor Pfleiderer, so we reserve our</p> <p>22 rights.</p> <p>23 MS. TABATABAI: I have a few</p> <p>24 questions. It shouldn't take more than</p> <p>25 five minutes.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 EXAMINATION BY</p> <p>3 MS. TABATABAI:</p> <p>4 Q. Mr. Pfleiderer, my name is Fara</p> <p>5 Tabatabai. I'm with the firm of Hughes</p> <p>6 Hubbard and represent the SIPA Trustee in</p> <p>7 this. I know it's been a long day, so I will</p> <p>8 try to be quick here.</p> <p>9 Looking at your report which I</p> <p>10 think is 633-A, if you can turn to page 67</p> <p>11 about three lines down. Are you with me?</p> <p>12 A. I am.</p> <p>13 Q. It reads, "...Barclays was supposed</p> <p>14 to receive financial assets worth</p> <p>15 approximately \$47.8 billion -- comprising</p> <p>16 \$45.546 billion worth of Fed Replacement Repo</p> <p>17 collateral, \$1.492 worth of clearance BOX</p> <p>18 assets, and \$769 million in other securities</p> <p>19 -- plus exchange-traded derivatives account</p> <p>20 that as of the Sale Hearing (and, for that</p> <p>21 matter, as of the Closing) were of</p> <p>22 unascertainable value." Do you see that?</p> <p>23 A. I'm afraid I was looking at the</p> <p>24 wrong paragraph. I'm now looking at what you</p> <p>25 were reading, I believe.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 Q. Can you tell me what you meant when</p> <p>3 you wrote the "exchange-traded derivatives</p> <p>4 accounts were of unascertainable value"?</p> <p>5 A. What I meant was that given my</p> <p>6 reading of the record and everything else that</p> <p>7 I've been able to consider, my understanding</p> <p>8 is that there is no way that a value could</p> <p>9 have been placed with any confidence on the</p> <p>10 exchange-traded derivatives given the</p> <p>11 uncertainty as to positions, the uncertainty</p> <p>12 given market movements and all the other</p> <p>13 uncertainties. So it was, I'll use the term,</p> <p>14 as I understand it, a bit of a black box with</p> <p>15 very little transparency into it, which I</p> <p>16 guess is the definition of a "black box".</p> <p>17 Q. What do you mean by "the</p> <p>18 uncertainty as to positions"?</p> <p>19 A. That, as I understand it, Barclays</p> <p>20 did not know exactly what the positions were,</p> <p>21 the long, the short, all of the exposures that</p> <p>22 were in those accounts and to get a notion of</p> <p>23 what the value is.</p> <p>24 And when I say "notion," one would</p> <p>25 need a fair degree of insight into what those</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 326</p> <p>1 - P. Pfleiderer-</p> <p>2 positions were as well as what the prices were</p> <p>3 and how those accounts might have been</p> <p>4 changing and what was being closed so there</p> <p>5 was a great deal of uncertainty, as I</p> <p>6 understood it, surrounding the accounts at</p> <p>7 that time.</p> <p>8 Q. In the ordinary course, if Barclays</p> <p>9 wanted to get that type of information, how</p> <p>10 would it go about doing that?</p> <p>11 MR. SHAW: Objection to form.</p> <p>12 A. I'm not sure what you mean by</p> <p>13 "ordinary course."</p> <p>14 Q. Not focusing on this week or this</p> <p>15 particular transaction, but with respect to</p> <p>16 exchange-traded derivatives accounts in</p> <p>17 general. If you wanted to find out, or if the</p> <p>18 firm wanted to find out details about pricing</p> <p>19 and what the positions were, how would they do</p> <p>20 that?</p> <p>21 MR. SHAW: Objection to form.</p> <p>22 A. (No response.)</p> <p>23 Q. Let me see if I can narrow the</p> <p>24 question.</p> <p>25 A firm like Barclays, for example,</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 327</p> <p>1 - P. Pfleiderer-</p> <p>2 if it wanted to know that information, could</p> <p>3 go to the particular exchange and ask for a</p> <p>4 positions report; is that right?</p> <p>5 A. That would be my basic</p> <p>6 understanding, but I'm not an expert in the</p> <p>7 OCC and the exact institutional details that</p> <p>8 would surround. Although I understand there</p> <p>9 is another expert in this case, Mr. Leichner,</p> <p>10 I believe his name is Leichner, who has</p> <p>11 expertise in that. It is certainly beyond</p> <p>12 what I have.</p> <p>13 But my basic understanding is that</p> <p>14 there would be reports that could be obtained</p> <p>15 in what would be considered perhaps limited</p> <p>16 circumstances.</p> <p>17 Q. Is it your understanding that</p> <p>18 Barclays could not get those types of reports</p> <p>19 for Lehman's exchange-traded derivatives</p> <p>20 position during the week of September 15,</p> <p>21 2008?</p> <p>22 A. My understanding is not complete.</p> <p>23 It's based upon reading the record. And my</p> <p>24 recollection now sitting here today of what</p> <p>25 people were saying in terms of trying to</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 328</p> <p>1 - P. Pfleiderer-</p> <p>2 determine what -- what the positions in those</p> <p>3 accounts were and what the exposure was. And</p> <p>4 my knowledge is that they were not getting</p> <p>5 information that was at all reliable. I</p> <p>6 remember one bit of testimony, or maybe it was</p> <p>7 an e-mail message where -- I don't remember</p> <p>8 the exact phrasing, but it was something that</p> <p>9 maybe four days had been spent and zero</p> <p>10 progress had been made, or we're getting zero</p> <p>11 return on the efforts or something like that.</p> <p>12 I'm paraphrasing here.</p> <p>13 So my reading of the record was</p> <p>14 that there was great uncertainty about what</p> <p>15 the exposure would be. And that certainly</p> <p>16 there was a lot of evidence based upon some</p> <p>17 information that was coming through, clearing</p> <p>18 reserve requirements and other things were</p> <p>19 changing quite dramatically.</p> <p>20 I do remember that, I think it was</p> <p>21 Stephen King who observed that the only</p> <p>22 information that they could get was by looking</p> <p>23 at changes in margin and trying to determine</p> <p>24 from that and market movements, whether there</p> <p>25 was a net long or net short exposure.</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 329</p> <p>1 - P. Pfleiderer-</p> <p>2 But if I remember that deposition</p> <p>3 testimony, there was a lot of uncertainty</p> <p>4 expressed based upon the limited information</p> <p>5 that was available and limited amount that can</p> <p>6 be inferred from it.</p> <p>7 Q. Just to be clear, when you say "my</p> <p>8 reading of the record," are you referring to</p> <p>9 deposition testimony or deposition testimony</p> <p>10 and something else? Just what are you</p> <p>11 referring to?</p> <p>12 A. I certainly would be referring to</p> <p>13 deposition testimony and also exhibits that I</p> <p>14 saw, e-mail messages and things of that sort</p> <p>15 as well. So I would consider that part of the</p> <p>16 record.</p> <p>17 Q. Do you recall seeing any e-mail</p> <p>18 messages request from Barclays either</p> <p>19 requesting or receiving position reports from</p> <p>20 any of the exchanges at which Lehman had</p> <p>21 exchange-traded derivatives accounts?</p> <p>22 A. I don't -- I think the quick answer</p> <p>23 is no, I don't recall seeing that. I may have</p> <p>24 seen it and I just don't recall it. But it</p> <p>25 wasn't something that I was focusing on as</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

<p style="text-align: right;">Page 330</p> <p>1 - P. Pfleiderer-</p> <p>2 much as I was focusing on many of the other</p> <p>3 issues that relate to the value of the</p> <p>4 collateral on the repo.</p> <p>5 But it certainly was something that</p> <p>6 I did pay close attention to as I was reading</p> <p>7 the the record because it informed my</p> <p>8 understanding of the difficulty of determining</p> <p>9 what the value of these were. And there</p> <p>10 seemed to be a great deal of uncertainty.</p> <p>11 Q. Can you look at page 68 of your</p> <p>12 report, the very next page? Right at the top</p> <p>13 it reads "Barclays neither knew nor could have</p> <p>14 known or even roughly estimated the net value</p> <p>15 of these accounts as of the time of the Sale</p> <p>16 Hearing." Do you see that?</p> <p>17 A. I do.</p> <p>18 Q. Are you referring there to the</p> <p>19 exchange-traded derivatives accounts?</p> <p>20 A. Yes. That sentence refers back to</p> <p>21 those accounts.</p> <p>22 Q. What did you mean when you wrote,</p> <p>23 "Barclays neither knew nor could have known or</p> <p>24 even roughly estimated the net value of</p> <p>25 [those] accounts"?</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 331</p> <p>1 - P. Pfleiderer-</p> <p>2 A. Well, that was based, certainly</p> <p>3 based on my understanding that there was</p> <p>4 considerable uncertainty about exposures and</p> <p>5 about the positions.</p> <p>6 Q. In your view, could Barclays have</p> <p>7 estimated whether the net value of those</p> <p>8 accounts were more or less than one billion</p> <p>9 dollars?</p> <p>10 A. No. I believe that -- my</p> <p>11 understanding was that the uncertainty was</p> <p>12 quite extreme. In fact, I saw reference to a</p> <p>13 range between minus 2 billion and plus 4</p> <p>14 billion. So that considerable uncertainty</p> <p>15 would not allow you to put a bracket on it</p> <p>16 that would in any way reliably say it was</p> <p>17 above a certain level.</p> <p>18 Q. Again, that understanding that you</p> <p>19 just testified to is based on your review of</p> <p>20 deposition testimony and other exhibits?</p> <p>21 A. That is correct.</p> <p>22 Q. One more thing, if you turn over</p> <p>23 the page on page 69. At the very bottom, I</p> <p>24 guess we're three lines from the bottom,</p> <p>25 "Thus, as I discuss further below, given the</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 332</p> <p>1 - P. Pfleiderer-</p> <p>2 substantial uncertainty about the value, and</p> <p>3 even the identity of the assets and certain of</p> <p>4 the liabilities, Barclays' reported gain is</p> <p>5 reasonable, unsurprising and fair to the</p> <p>6 Sellers". Do you see that?</p> <p>7 A. I do.</p> <p>8 Q. You're aware that Barclays reported</p> <p>9 gains of approximately \$4.2 billion?</p> <p>10 A. That is what they reported on the</p> <p>11 results report, as I understand it, the</p> <p>12 following February.</p> <p>13 Q. If Barclays' gain on a transaction</p> <p>14 were \$7 billion, would you still consider that</p> <p>15 to be a reasonable gain on the transaction?</p> <p>16 A. I think that all of this comes down</p> <p>17 to a question of, first of all, whether it was</p> <p>18 foreseeable what the gain would be, and there</p> <p>19 was considerable uncertainty -- which means</p> <p>20 that ex-post the gain could have been</p> <p>21 negative, it could have been positive.</p> <p>22 My understanding is that Barclays</p> <p>23 was anticipating a gain based upon its</p> <p>24 announcements, for instance, in the press</p> <p>25 release that's implied there, and in the</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 333</p> <p>1 - P. Pfleiderer-</p> <p>2 conference call with analysts. They were</p> <p>3 certainly very upfront about the expectation</p> <p>4 of a gain. But the expectation and the actual</p> <p>5 realization are two different things, and</p> <p>6 there was considerable uncertainty here.</p> <p>7 And more to the point, that doesn't</p> <p>8 in any way address the issue of whether the</p> <p>9 outcome could have been better in the sense of</p> <p>10 another bidder stepping in. Since another</p> <p>11 bidder did not, it doesn't in any way address</p> <p>12 the issue of whether the estate and others got</p> <p>13 the best price possible, which given that</p> <p>14 Barclays was the sole bidder and this was a</p> <p>15 distressed sale, and the alternate of</p> <p>16 liquidation was so drastic, this was the best</p> <p>17 thing for the estate and for the customers and</p> <p>18 other stakeholders in this situation which is</p> <p>19 what I talk about at the end of my report.</p> <p>20 Q. Is that a yes, a \$7 billion gain</p> <p>21 would be reasonable in this transaction?</p> <p>22 A. An ex-post gain at \$7 billion or an</p> <p>23 anticipated gain? I don't think it makes much</p> <p>24 difference if it is one or the other.</p> <p>25 But if you're talking about an</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

1 - P. Pfleiderer-
2 ex-post gain, given the incredible uncertainty
3 here, that was potentially within the realm of
4 possibility as was an ex-post loss.

5 **Q. Would an ex-post gain of \$7 billion**
6 **be reasonable in your opinion?**

7 A. You have to define what you mean by
8 "reasonable."

9 **Q. This is your word, "reasonable,**
10 **unsurprising, and fair to the Seller.'**

11 I'm just asking, if the gain had
12 been \$3 billion more than the \$4 billion
13 reported gain, would that have been reasonable
14 in your view? And you can take it to mean
15 whatever you meant on page 69 of your report.

16 A. What I meant in page 69 is that it
17 is reasonable given the situation, the
18 distressed situation, the considerable
19 uncertainty that was existing at that time.
20 In that sense of using the word "reasonable,"
21 I'm not sure how to address exactly what the
22 span is before something becomes unreasonable.
23 But what occurred was certainly within the
24 bounds of reasonableness.

25 And it could have been the case

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1 - P. Pfleiderer-
2 that it was 70 -- excuse me, 7 billion, and
3 given the considerable uncertainty, that
4 wouldn't necessarily be unreasonable given the
5 uncertainty that surrounded the transaction.
6 And it also could have happened that it was
7 negative, that even though Barclays had
8 expected a gain, it may not have materialized
9 when they actually did the full accounting.

10 **Q. So in your view, given the**
11 **considerable uncertainty, a \$7 billion gain on**
12 **this transaction could have been reasonable?**

13 MR. SHAW: Are we talking about the
14 day one accounting gain?

15 MS. TABATABAI: I'm talking about a
16 reported gain.

17 **Q. If the gain that Barclays had**
18 **reported, instead of being \$4 billion was \$7**
19 **billion, would that have been reasonable?**

20 A. Would it have been within the span
21 of the reasonable distribution given the
22 uncertainty at this time, I didn't do a
23 specific calculation to calculate any
24 definitive way what that uncertainty was. But
25 it was considerable. And so something that

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1 - P. Pfleiderer-
2 would have resulted in a \$7 billion gain or a
3 \$3 billion, 2 billion loss or a zero gain, all
4 those were probably within what I would call
5 the support of the distribution given the
6 considerable uncertainty at the time.

7 **Q. Would a \$7 billion gain be**
8 **unsurprising to the sellers?**

9 A. To the sellers?

10 **Q. Yes, to the sellers.**

11 A. I don't know. When I used the word
12 "unsurprising here," I'm using it from my
13 perspective. And fair to the sellers, fair to
14 the sellers is not necessarily unsurprising to
15 the sellers. I don't put myself in the
16 position of the sellers.

17 But the sellers clearly in my
18 understanding knew that Barclays was
19 anticipating a gain on the transaction based
20 upon its press release and based upon the
21 conference call. And so I think that based
22 upon that, it wouldn't be unsurprising to the
23 sellers with that information.

24 Barclays was expecting a gain and
25 there was considerable uncertainty here as to

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1 - P. Pfleiderer-
2 how it would account for the gain. And given
3 that, again, the support would have been
4 distributed around perhaps what Barclays was
5 expecting. It could have been zero, it could
6 have been negative, and it could have been
7 more.

8 **Q. In your view, would a \$7 billion**
9 **reported gain have been fair to the sellers in**
10 **this transaction?**

11 A. The answer is decidedly yes in
12 terms that the alternative, as I understand
13 it -- and it is very clear when you read the
14 transcript of the hearing -- is that the
15 alternative would have been liquidation which
16 would have been a much worse outcome than what
17 the sellers received.

18 So the sellers were faced, as I
19 understand it, in distressed sales situation
20 with really two alternatives, one of which was
21 liquidation, not go through with the
22 transaction, and the other which was go
23 through with the transaction which, as I say
24 in my report, in all likelihood was the better
25 outcome.

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<p style="text-align: right;">Page 338</p> <p>1 - P. Pfleiderer-</p> <p>2 The alternatives that some</p> <p>3 objectors were proposing such as wait and see</p> <p>4 if someone else comes along or see if there is</p> <p>5 a better deal is just not an alternative that</p> <p>6 was available. And as I read that hearing</p> <p>7 transcript, it seemed, based upon what the</p> <p>8 Court said, that that was fully appreciated by</p> <p>9 the Court and was completely consistent with</p> <p>10 the testimony that was proffered by Bart</p> <p>11 McDade and Barry Ridings.</p> <p>12 MS. TABATABAI: I have nothing</p> <p>13 further.</p> <p>14 MR. DAKIS: I just have a couple of</p> <p>15 follow-up questions. I don't expect</p> <p>16 that it will be long.</p> <p>17 EXAMINATION BY</p> <p>18 MR. DAKIS:</p> <p>19 Q. I just have a couple of follow-up</p> <p>20 questions. Robert Dakis from Quinn Emanuel</p> <p>21 Urquhart Oliver & Hedges for the Official</p> <p>22 Committee of Unsecured Creditors.</p> <p>23 Earlier today Mr. Tambe asked you</p> <p>24 about commercial transactions. Do you recall</p> <p>25 that testimony?</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 339</p> <p>1 - P. Pfleiderer-</p> <p>2 A. I do.</p> <p>3 Q. You testified you are not the</p> <p>4 world's expert on what is usual and reasonable</p> <p>5 on a repurchase transaction, correct?</p> <p>6 A. I don't consider myself the world's</p> <p>7 expert. But my opinion was formed by the fact</p> <p>8 that so many people on the record said that</p> <p>9 this was not the normal collateral you would</p> <p>10 get in a normal transaction, so on and so</p> <p>11 forth.</p> <p>12 Q. Leaving this transaction for just a</p> <p>13 minute -- and we will turn to the replacement</p> <p>14 transaction -- generally you don't consider</p> <p>15 yourself the world's expert to what is</p> <p>16 reasonable and usual in a replacement</p> <p>17 transaction, correct?</p> <p>18 MR. SHAW: Objection to form.</p> <p>19 A. I think I did say that I was not</p> <p>20 the world's expert. I have to go back and</p> <p>21 look at my testimony. I don't know if I said</p> <p>22 it there or I said certainly that I wasn't an</p> <p>23 expert, world's expert in accounting because I</p> <p>24 didn't have a CPA.</p> <p>25 And I think what I said was that my</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 340</p> <p>1 - P. Pfleiderer-</p> <p>2 reading of the record gave me lots of</p> <p>3 information plus my understanding of repos and</p> <p>4 how they work and the haircuts to indicate</p> <p>5 that this was not a normal commercial</p> <p>6 transaction and the collateral was not the</p> <p>7 normal collateral that you would get in a</p> <p>8 commercial repo.</p> <p>9 Q. Okay. Again, the question is, do</p> <p>10 you consider yourself an expert on what's</p> <p>11 reasonable and usual in commercial repurchase</p> <p>12 transactions? The question you're answering</p> <p>13 is whether or not this transaction was</p> <p>14 reasonable and usual, and that's not my</p> <p>15 question.</p> <p>16 MR. SHAW: Well, I'm going to</p> <p>17 object to form again.</p> <p>18 A. The expertise that I can draw upon</p> <p>19 here is my understanding of the risk and</p> <p>20 liquidity issues that surround a repo, and the</p> <p>21 type of collaterals that would be in a repo</p> <p>22 that would be consistent with that risk or</p> <p>23 would not. So I have that expertise.</p> <p>24 Now, does that make me the world's</p> <p>25 expert? Probably not. Does it make me</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 341</p> <p>1 - P. Pfleiderer-</p> <p>2 comfortable, and actually very comfortable in</p> <p>3 drawing the conclusions that I drew especially</p> <p>4 when I couple it with all the other deposition</p> <p>5 testimony that I saw? The answer is yes.</p> <p>6 Q. You testified you never placed a</p> <p>7 commercial repurchase transaction, correct?</p> <p>8 A. In the sense of being involved in</p> <p>9 the actual sale replacement, no, I have not.</p> <p>10 Q. Have you ever represented a client</p> <p>11 in the actual sale of a commercial repurchase</p> <p>12 transaction?</p> <p>13 A. No, I have not.</p> <p>14 Q. Ever represented a seller or a</p> <p>15 buyer in a commercial repurchase transaction?</p> <p>16 A. That's what I assumed you meant by</p> <p>17 "client." No.</p> <p>18 Q. You're not a lawyer, correct?</p> <p>19 A. No.</p> <p>20 Q. So you wouldn't have any legal</p> <p>21 basis for reading and understanding from a</p> <p>22 legal perspective the terms of a commercial</p> <p>23 repurchase transaction, correct?</p> <p>24 A. I wouldn't have the perspective of</p> <p>25 a lawyer. I can read English, and so I would</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 - P. Pfleiderer-</p> <p>2 hope that that would give a fair amount of</p> <p>3 insight into -- into what was required. But I</p> <p>4 don't have the legal training that would allow</p> <p>5 me to parse every sentence correctly.</p> <p>6 Q. That assumes a commercial</p> <p>7 repurchase transaction is in English, but we</p> <p>8 will leave that for another day.</p> <p>9 Turning to the replacement</p> <p>10 repurchase transaction.</p> <p>11 You testified, I believe, that in</p> <p>12 connection with the replacement repurchase,</p> <p>13 Lehman was required to substitute certain</p> <p>14 collateral into the repurchase replacement</p> <p>15 transaction. Do you recall that testimony?</p> <p>16 MR. SHAW: Objection to form.</p> <p>17 A. I ask the question to be read</p> <p>18 again, please?</p> <p>19 Q. Let me try it again.</p> <p>20 Do you recall your testimony</p> <p>21 regarding the fed replacement repurchase</p> <p>22 transaction?</p> <p>23 MR. SHAW: Objection to form.</p> <p>24 Q. Let's step back.</p> <p>25 You recall that Barclays was asked</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 to step into the shoes of the Federal Reserve</p> <p>3 as the purchaser under a commercial repurchase</p> <p>4 transaction with Lehman, correct?</p> <p>5 A. Well, I'm not sure -- I'm not sure</p> <p>6 it is appropriate to characterize it as a</p> <p>7 commercial repo transaction.</p> <p>8 They were asked to step in to the</p> <p>9 shoes of the fed in the sense that they</p> <p>10 entered into a repo with Lehman, the proceeds</p> <p>11 of which I understood were largely used to</p> <p>12 take out the feds' position in the repo. So</p> <p>13 that's the way that I would characterize it.</p> <p>14 But I wouldn't insert the word</p> <p>15 "commercial" necessarily if that's to be</p> <p>16 construed in some other way.</p> <p>17 Q. Fair enough.</p> <p>18 In connection with this replacement</p> <p>19 transaction, it is okay if we call it the</p> <p>20 replacement transaction?</p> <p>21 A. If it relates to what I said in</p> <p>22 terms of --</p> <p>23 Q. Yes.</p> <p>24 A. -- entering into a repo, the</p> <p>25 proceeds of which were largely used to take</p> <p>TSG Reporting - Worldwide 877-702-9580</p>
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<p>1 - P. Pfleiderer-</p> <p>2 out the feds' position.</p> <p>3 Q. It does. In connection with this</p> <p>4 replacement transaction, you testified that</p> <p>5 Barclays received certain substitute</p> <p>6 collateral. Do you recall that testimony?</p> <p>7 A. I'm not sure that it would be</p> <p>8 characterized as "substitute collateral"</p> <p>9 necessarily. What I do understand is that</p> <p>10 collateral that was behind the fed repo was</p> <p>11 not transferred one-to-one to Barclays for a</p> <p>12 variety of reasons, many of which I have some</p> <p>13 understanding of and some of which I do not.</p> <p>14 And as a consequence, the set of</p> <p>15 securities that ended up being delivered to</p> <p>16 Barclays is not the same as what was back in</p> <p>17 the fed. And in particular, we know that, for</p> <p>18 example, some of what ended up constituting</p> <p>19 the repo collateral ended up being the</p> <p>20 settlement with J.P. Morgan in December that</p> <p>21 involved the delivery of some securities and</p> <p>22 also, as I recall, 1.25 billion in cash.</p> <p>23 So that clearly was not in the</p> <p>24 original fed repo.</p> <p>25 Q. But you understand that Barclays</p> <p>TSG Reporting - Worldwide 877-702-9580</p>	<p>1 - P. Pfleiderer-</p> <p>2 received certain, let's call it replacement</p> <p>3 collateral in order to make up for any</p> <p>4 shortfalls in what was supposed to be</p> <p>5 transferred when it entered into the</p> <p>6 repurchase transaction with Lehman, correct?</p> <p>7 MR. SHAW: Objection to form.</p> <p>8 A. My understanding is that a lot of</p> <p>9 things happened in these hectic times, and I'm</p> <p>10 referring again to that week, that not enough</p> <p>11 collateral was delivered as a consequence of</p> <p>12 various problems that developed, and that</p> <p>13 Lehman had put in \$7 billion in cash, if my</p> <p>14 memory is correct that was to be delivered to</p> <p>15 Barclays. I think the anticipation at that</p> <p>16 point was that other securities would be put</p> <p>17 in and the cash would be replaced. And then</p> <p>18 that 7 billion in cash did not get delivered.</p> <p>19 So a lot of things were happening.</p> <p>20 And I want to be careful in trying to</p> <p>21 characterize it in a shorthand way that may</p> <p>22 not capture all that was occurring.</p> <p>23 Q. Fair enough.</p> <p>24 Do you recall your testimony</p> <p>25 earlier today that you believed it was</p> <p>TSG Reporting - Worldwide 877-702-9580</p>

1 **- P. Pfleiderer-**
2 **reasonable and usual in cases such as this**
3 **replacement transaction that there is also a**
4 **requirement that the party that's receiving**
5 **collateral have some discretion as to what was**
6 **acceptable collateral? Do you recall that**
7 **testimony?**

8 MR. SHAW: Objection to form.

9 A. I'm not sure I said it in precisely
10 those terms. But if someone in a repo
11 transaction attempts to deliver collateral
12 that is not of the type of value or risk
13 characteristic that was contemplated, then
14 given the nature of the risk that's taken on
15 by the other side of the repo transaction, it
16 is my view as a financial economist,
17 reasonable that some discretion be had to
18 guard against substitution of collateral that
19 would increase the risk in ways that would be
20 adverse to that side of the repo.

21 **Q. Do you know whether or not the**
22 **documents regarding this replacement**
23 **transaction we're talking about permitted such**
24 **substitution of collateral?**

25 MR. SHAW: Objection to form.

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1 **- P. Pfleiderer-**
2 Which substitution of collateral are
3 you referring to?

4 MR. DAKIS: The substitution of
5 collateral that Mr. Pfleiderer was just
6 talking about, Professor Pfleiderer. I
7 apologize.

8 MR. SHAW: Objection to form.

9 A. As I testified, it's hard for me to
10 specifically talk about substitution of
11 collateral as we're using the phrase when so
12 many different things happened. There was the
13 7 billion. There was the J.P. Morgan
14 settlement. There were a lot of things going
15 on here. So I'm not sure specifically what
16 you're addressing when you say "substitution
17 of collateral" given, again, so many different
18 things are going on.

19 And that's why I said that a
20 shorthand phrase like "substitution of
21 collateral" doesn't capture the more
22 complicated story of what actually evolved.

23 **Q. I believe your testimony earlier to**
24 **one of my questions was that as a financial**
25 **economist, you believe that when a party to a**

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1 **- P. Pfleiderer-**
2 **repurchase transaction didn't receive**
3 **collateral that had the same risk profile and**
4 **certain other factors that they had bargained**
5 **for, that that party receiving the collateral,**
6 **it would have been reasonable for that party**
7 **to have discretion as to what was acceptable**
8 **substitute collateral? Do you recall that**
9 **testimony?**

10 MR. SHAW: Objection to form.

11 **Q. Would you like me to have it read**
12 **back for you?**

13 A. Given that I don't recall
14 specifically how I phrased it, it might be
15 useful to have it read back.

16 MR. DAKIS: Can you read back his
17 answer to, I guess it was two questions
18 ago?

19 (Record read as follows: "Answer:

20 I'm not sure I said it in precisely
21 those terms. But if someone in a repo
22 transaction attempts to deliver
23 collateral that is not of the type of
24 value or risk characteristic that was
25 contemplated, then given the nature of

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1 **- P. Pfleiderer-**
2 the risk that's taken on by the other
3 side of the repo transaction, it is my
4 view, as a financial economist,
5 reasonable that some discretion be had
6 to guard against substitution of
7 collateral that would increase the risk
8 in ways that would be adverse to that
9 side of the repo.")

10 **Q. So, do you know whether or not the**
11 **documents governing the replacement**
12 **transaction we've been talking about permitted**
13 **for Barclays to exercise any discretion to**
14 **guard against the substitution of collateral**
15 **that would increase the risk in ways that**
16 **would be adverse to that side of the repo --**

17 MR. SHAW: Objection to form.

18 **Q. -- to Barclays side of the repo?**

19 MR. SHAW: Objection to form.

20 Calls for a legal conclusion.

21 A. Which was going to be my answer. I
22 am not trained as a lawyer so I would not be
23 able to read the legal document and make the
24 legal determination as to what was permitted
25 and what was not.

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<p style="text-align: right;">Page 350</p> <p>1 - P. Pfleiderer-</p> <p>2 I would simply say that as a</p> <p>3 financial economist, given the nature of that</p> <p>4 transaction, the party that was on one side of</p> <p>5 the repo would be adversely affected if</p> <p>6 collateral of inferior value, or of much</p> <p>7 greater risk than what was contemplated in the</p> <p>8 haircut, received collateral that was</p> <p>9 substandard in that way that increased --</p> <p>10 increased the risk and jeopardized.</p> <p>11 I said that, I believe, better in</p> <p>12 the original testimony, but that's a statement</p> <p>13 I do want to make.</p> <p>14 Q. Why did you want to make that</p> <p>15 statement?</p> <p>16 A. Because it is true. Given the</p> <p>17 nature of repo transactions and the risks that</p> <p>18 are borne by that side, if that side is</p> <p>19 unprotected and collateral of a different</p> <p>20 nature with higher risk characteristic is</p> <p>21 substituted, that would be adverse to that</p> <p>22 side's interest. That's a true statement.</p> <p>23 Q. But you're not a lawyer so you</p> <p>24 can't testify as to what protections Barclays</p> <p>25 did or didn't have in the context of this repo</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 351</p> <p>1 - P. Pfleiderer-</p> <p>2 transaction, correct?</p> <p>3 A. That's what I indicated in answer</p> <p>4 to one of your questions. I'm not a lawyer.</p> <p>5 MR. DAKIS: No further questions.</p> <p>6 MR. TAMBE: No further questions</p> <p>7 here, but we have reserved our rights.</p> <p>8 MR. DAKIS: The Committee reserves</p> <p>9 its right to the extent the deposition</p> <p>10 is restarted or continued, to ask</p> <p>11 further questions as well.</p> <p>12 MS. TABATABAI: The Trustee does</p> <p>13 the same.</p> <p>14 (Time noted: 7:34 p.m.)</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p style="text-align: center;">_____ PROF. PAUL PFLEIDERER</p> <p>Subscribed and sworn to before me, this ____ day _____ of 2010.</p> <p style="text-align: center;">_____ Notary Public TSG Reporting - Worldwide 877-702-9580</p>
<p style="text-align: right;">Page 352</p> <p>1 -----I N D E X-----</p> <p>2 WITNESS EXAMINATION BY PAGE</p> <p>3 PROF. PFLEIDERER MR. TAMBE 5</p> <p>4 MS. TABATABAI 324</p> <p>5 MR. DAKIS 338</p> <p>6</p> <p>7 -----EXHIBITS-----</p> <p>8 EXHIBIT FOR I.D.</p> <p>9 Exhibit 633-A 6</p> <p>10 Expert report of Professor Paul</p> <p>11 Pfleiderer - Volume I</p> <p>12</p> <p>13 Exhibit 634-A 7</p> <p>14 Expert report of Professor Paul</p> <p>15 Pfleiderer - Vol II</p> <p>16</p> <p>17 Exhibit 635-A 7</p> <p>18 2/22/10 letter to Jones Day from</p> <p>19 Boies Schiller with attachment</p> <p>20</p> <p>21 Exhibit 636-A 7</p> <p>22 2/22/10 e-mail to K. Carrero from</p> <p>23 Davenport with attachments</p> <p>24</p> <p>25</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>	<p style="text-align: right;">Page 353</p> <p>1 -----EXHIBITS-----</p> <p>2 EXHIBIT FOR I.D.</p> <p>3 Exhibit 637-A 7</p> <p>4 2/10/10 e-mail to K. Carrero</p> <p>5</p> <p>6 Exhibit 638-A 60</p> <p>7 Appendix Two, list of documents</p> <p>8 and other materials reviewed and</p> <p>9 considered</p> <p>10</p> <p>11 Exhibit 639-A 65</p> <p>12 BCI Exhibit 346, declaration of</p> <p>13 Paul Pfleiderer</p> <p>14</p> <p>15 Exhibit 640-A 73</p> <p>16 2/6/2010 letter to Jones Day from</p> <p>17 Boise Schiller</p> <p>18</p> <p>19 Exhibit 641-A 200</p> <p>20 E-mail re: Acquisition balance</p> <p>21 sheet, BCI-EX-(s)-00213990 with</p> <p>22 attachments</p> <p>23</p> <p>24</p> <p>25</p> <p style="text-align: right;">TSG Reporting - Worldwide 877-702-9580</p>

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<p>1 -----EXHIBITS----- 2 EXHIBIT FOR I.D. 3 Exhibit 642-A 245 4 Agency mortgages, unsupported or 5 excluded file type with attached 6 spreadsheets, BCI-EX-00297317 7 8 Exhibit 643-A 247 9 2/2/09 memo from PwC to Richard 10 Landreman, PwC-BarCapWP_00023327 11 12 Exhibit 644-A 287 13 E-mail from Michael McGarvey Re: 14 Here's the summary from the 12th, 15 BCI-EX-(S)-00213948-51 with 16 attachments 17 18 Exhibit 645-A 304 19 8/18/08 e-mail Re: Balance sheet 20 iterations, 21 BCI-EX-(S)-00213926-3936 22 23 24 25 TSG Reporting - Worldwide 877-702-9580</p>	<p>1 -----EXHIBITS----- 2 EXHIBIT FOR I.D. 3 Exhibit 646-A 312 4 PwC Review of Barclays capital 5 price testing methodology, 6 PwC-BarCapWP_00022935-948 with 7 attachments 8 9 10 -----EXHIBITS----- 11 [previously marked] 12 EXHIBIT FOR I.D. 13 Exhibit 533-A 235 14 Exhibit 19 286 15 Exhibit 200 294 16 17 18 --- 19 20 21 22 23 24 25 TSG Reporting - Worldwide 877-702-9580</p>
Page 356	Page 357
<p>1 C E R T I F I C A T E 2 STATE OF NEW YORK) 3) ss.: 4 COUNTY OF KINGS) 5 I, MAYLEEN CINTRON, a Registered 6 Merit Reporter, Certified Realtime 7 Reporter and Notary Public within and 8 for the State of New York, do hereby 9 certify: 10 That PROF. PAUL PFLEIDERER, the 11 witness whose deposition is 12 hereinbefore set forth, was duly sworn 13 by me and that such deposition is a 14 true record of the testimony given by 15 such witness. 16 I further certify that I am not 17 related to any of the parties to this 18 action by blood or marriage; and that I 19 am in no way interested in the outcome 20 of this matter. 21 IN WITNESS WHEREOF, I have hereunto set 22 my hand this 23rd day of February 2010. 23 24 ----- 25 MAYLEEN CINTRON, RMR, CRR TSG Reporting - Worldwide 877-702-9580</p>	<p>1 ERRATA SHEET FOR THE TRANSCRIPT OF: 2 Case Name: Re: Lehman Brothers Holdings 3 Dep. Date: February 23, 2010 4 Deponent: Prof. Paul Pfleiderer 5 Pg. Ln. Now Reads Should Read Reason 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 PROF. PAUL PFLEIDERER 22 23 SUBSCRIBED AND SWORN BEFORE ME, 24 This__ day of_____, 2010. 25 Notary Public My Commission Expires:_____ TSG Reporting - Worldwide 877-702-9580</p>

EXHIBIT C

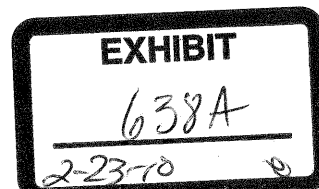
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APPENDIX TWO

LIST OF DOCUMENTS AND OTHER MATERIALS REVIEWED AND CONSIDERED

Bates Number Documents

BCI-EX 00185186
HHR_00000194
HHR_00000195
HHR_00000196
HHR_00000491
HHR_00000492
HHR_00000493
HHR_00000685
HHR_00000686
HHR_00000687
HHR_00001774-HHR_00001775
HHR_00001776
HHR_00001777
HHR_00006310-HHR_00006312
HHR_00006313-HHR_00006480
LAZ-C-00050306
LBHI 004083
LBHI 004083
LBHI_SEC07940_92774-927779
MTHM0000139
MTHM0000140
BCI000002-BCI015744
BCI-EX-00185186
JPM-BARCAP0000001 – JPM- BARCAP0003898.TXT (with gaps)
JPM-60(b)00003982 - JPM-60(b)00005917.XLS (with gaps)
JPM-BARCAP0000001 – JPM- BARCAP0003898.TIF (with gaps)
JPM-BARCAP0000001 – JPM- BARCAP0003844.XLS (with gaps)



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Deposition Transcripts

Deposition of Alastair Blackwell, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 7, 2009).

Deposition of Alex Kirk, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 31, 2009).

Deposition of Archibald Cox, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 11, 2009).

Deposition of Bart McDade, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 2, 2009).

Deposition of Bryan Marsal, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Dec. 22, 2009).

Deposition of Daniel Joseph Fleming, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 28, 2009).

Deposition of David Petrie, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 26, 2009).

Deposition of Eric Jonathan Felder, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Jul. 31, 2009).

Deposition of Gary Romain, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 10, 2009).

Deposition of Gerard LaRocca, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 19, 2009).

Deposition of Hugh McGee, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 10, 2009).

Deposition of Ian Lowitt, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 20, 2009).

Deposition of James B Kobak Jr., *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Dec. 7, 2009).

Deposition of James Hraska, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 14, 2009).

Deposition of James Seery, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 3, 2009).

Deposition of Jasen Yang, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 4, 2009).

Deposition of Jerry del Missier, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 1, 2009).

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Deposition of John Coghlan, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 13, 2009).

Deposition of John Rodefled, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 27, 2009).

Deposition of John Varley, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 3, 2009).

Deposition of John Varley, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 11, 2009).

Deposition of Mark J. Shapiro, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 7, 2009).

Deposition of Martin Kelly, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 18, 2009).

Deposition of Martin Kelly, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Nov. 20, 2009).

Deposition of Michael Klein, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 12, 2009).

Deposition of Mike Keegan, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 28, 2009).

Deposition of Nancy Denig, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 21, 2009).

Deposition of Paolo Tonucci, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 14, 2009).

Deposition of Patrick Clackson, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 4, 2009).

Deposition of Paul Exall, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 27, 2009).

Deposition of Philip E. Kruse, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Dec. 17, 2009).

Deposition of Rich Ricci, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 8, 2009).

Deposition of Robert Azerad, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 17, 2009).

Deposition of Robert Edward Diamond Jr., *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 11, 2009).

Deposition of Saul Burian, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Dec. 17, 2009).

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Deposition of Stephen King, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 10, 2009).

Deposition of Steven Berkenfeld, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 6, 2009).

Deposition Exhibits

Exhibit 1	Exhibit 26	Exhibit 51	Exhibit 73B
Exhibit 2	Exhibit 27	Exhibit 52	Exhibit 74B
Exhibit 3	Exhibit 28	Exhibit 53	Exhibit 75B
Exhibit 4	Exhibit 29	Exhibit 54	Exhibit 76B
Exhibit 5	Exhibit 30	Exhibit 55A	Exhibit 77B
Exhibit 6	Exhibit 31	Exhibit 55B	Exhibit 78B
Exhibit 7	Exhibit 32	Exhibit 56A	Exhibit 79B
Exhibit 8	Exhibit 33	Exhibit 56B	Exhibit 80B
Exhibit 9	Exhibit 34	Exhibit 57A	Exhibit 81B
Exhibit 10	Exhibit 35	Exhibit 57B	Exhibit 82
Exhibit 11	Exhibit 36	Exhibit 58B	Exhibit 83B
Exhibit 12	Exhibit 37	Exhibit 59B	Exhibit 84B
Exhibit 13	Exhibit 38	Exhibit 60B	Exhibit 85B
Exhibit 14	Exhibit 39	Exhibit 61B	Exhibit 86B
Exhibit 15	Exhibit 40	Exhibit 62B	Exhibit 87B
Exhibit 16	Exhibit 41	Exhibit 63B	Exhibit 88B
Exhibit 17	Exhibit 42	Exhibit 64B	Exhibit 89B
Exhibit 18	Exhibit 43	Exhibit 65B	Exhibit 90B
Exhibit 19	Exhibit 44	Exhibit 66B	Exhibit 91B
Exhibit 20	Exhibit 45	Exhibit 67B	Exhibit 92B
Exhibit 21	Exhibit 46	Exhibit 68B	Exhibit 93B
Exhibit 22	Exhibit 47	Exhibit 69B	Exhibit 94B
Exhibit 23	Exhibit 48	Exhibit 70B	Exhibit 95B
Exhibit 24	Exhibit 49	Exhibit 71B	Exhibit 96B
Exhibit 25	Exhibit 50	Exhibit 72B	Exhibit 98

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Exhibit 99	Exhibit 130	Exhibit 148B	Exhibit 171A
Exhibit 100	Exhibit 131	Exhibit 149A	Exhibit 172A
Exhibit 101	Exhibit 132	Exhibit 149B	Exhibit 173A
Exhibit 102	Exhibit 133	Exhibit 150A	Exhibit 174
Exhibit 103	Exhibit 134	Exhibit 150B	Exhibit 175
Exhibit 104	Exhibit 135	Exhibit 151A	Exhibit 176
Exhibit 105	Exhibit 136A	Exhibit 151B	Exhibit 177
Exhibit 106	Exhibit 136B	Exhibit 152A	Exhibit 178
Exhibit 107	Exhibit 137A	Exhibit 152B	Exhibit 179
Exhibit 108	Exhibit 137B	Exhibit 153A	Exhibit 180
Exhibit 109	Exhibit 138A	Exhibit 153B	Exhibit 181
Exhibit 110	Exhibit 138B	Exhibit 154A	Exhibit 182
Exhibit 111	Exhibit 139A	Exhibit 154B	Exhibit 183
Exhibit 112	Exhibit 139B	Exhibit 155A	Exhibit 184
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Exhibit 114	Exhibit 140B	Exhibit 156A	Exhibit 186
Exhibit 115	Exhibit 141A	Exhibit 156B	Exhibit 187
Exhibit 116	Exhibit 141B	Exhibit 157A	Exhibit 188
Exhibit 117	Exhibit 142A	Exhibit 158A	Exhibit 189
Exhibit 118	Exhibit 142B	Exhibit 159A	Exhibit 190
Exhibit 119	Exhibit 143A	Exhibit 160A	Exhibit 191
Exhibit 120	Exhibit 143B	Exhibit 161A	Exhibit 192
Exhibit 121	Exhibit 144A	Exhibit 162A	Exhibit 193
Exhibit 122	Exhibit 144B	Exhibit 163A	Exhibit 194
Exhibit 123	Exhibit 145A	Exhibit 164A	Exhibit 195
Exhibit 124	Exhibit 145B	Exhibit 165A	Exhibit 196
Exhibit 125	Exhibit 146A	Exhibit 166A	Exhibit 197
Exhibit 126	Exhibit 146B	Exhibit 167A	Exhibit 198
Exhibit 127	Exhibit 147A	Exhibit 168A	Exhibit 199
Exhibit 128	Exhibit 147B	Exhibit 169A	Exhibit 200
Exhibit 129	Exhibit 148A	Exhibit 170A	Exhibit 201

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Exhibit 202	Exhibit 233	Exhibit 264	Exhibit 287A
Exhibit 203	Exhibit 234	Exhibit 265	Exhibit 287B
Exhibit 204	Exhibit 235	Exhibit 266	Exhibit 288B
Exhibit 205	Exhibit 236	Exhibit 267	Exhibit 289B
Exhibit 206	Exhibit 237	Exhibit 268	Exhibit 290B
Exhibit 207	Exhibit 238	Exhibit 269	Exhibit 291B
Exhibit 208	Exhibit 239	Exhibit 270	Exhibit 292B
Exhibit 209	Exhibit 240	Exhibit 271	Exhibit 293B
Exhibit 210	Exhibit 241	Exhibit 272	Exhibit 294A
Exhibit 211	Exhibit 242	Exhibit 273	Exhibit 294B
Exhibit 212	Exhibit 243	Exhibit 274	Exhibit 295A
Exhibit 213	Exhibit 244	Exhibit 275	Exhibit 295B
Exhibit 214	Exhibit 245	Exhibit 276	Exhibit 296A
Exhibit 215	Exhibit 246	Exhibit 277	Exhibit 296B
Exhibit 216	Exhibit 247	Exhibit 278	Exhibit 297A
Exhibit 217	Exhibit 248	Exhibit 279A	Exhibit 297B
Exhibit 218	Exhibit 249	Exhibit 279B	Exhibit 298A
Exhibit 219	Exhibit 250	Exhibit 280A	Exhibit 298B
Exhibit 220	Exhibit 251	Exhibit 280B	Exhibit 299A
Exhibit 221	Exhibit 252	Exhibit 281A	Exhibit 299B
Exhibit 222	Exhibit 253	Exhibit 281B	Exhibit 300A
Exhibit 223	Exhibit 254	Exhibit 282A	Exhibit 300B
Exhibit 224	Exhibit 255	Exhibit 282B	Exhibit 301A
Exhibit 225	Exhibit 256	Exhibit 283A	Exhibit 301B
Exhibit 226	Exhibit 257	Exhibit 283B	Exhibit 302A
Exhibit 227	Exhibit 258	Exhibit 284A	Exhibit 302B
Exhibit 228	Exhibit 259	Exhibit 284B	Exhibit 303A
Exhibit 229	Exhibit 260	Exhibit 285A	Exhibit 303B
Exhibit 230	Exhibit 261	Exhibit 285B	Exhibit 304A
Exhibit 231	Exhibit 262	Exhibit 286A	Exhibit 304B
Exhibit 232	Exhibit 263	Exhibit 286B	Exhibit 305A

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Exhibit 305B	Exhibit 333	Exhibit 358A	Exhibit 388B
Exhibit 306A	Exhibit 334	Exhibit 359A	Exhibit 389A
Exhibit 306B	Exhibit 335	Exhibit 360A	Exhibit 389B
Exhibit 307A	Exhibit 336	Exhibit 361A	Exhibit 390A
Exhibit 307B	Exhibit 337A	Exhibit 362A	Exhibit 390B
Exhibit 308A	Exhibit 337B	Exhibit 363A	Exhibit 391A
Exhibit 308B	Exhibit 338A	Exhibit 364A	Exhibit 391B
Exhibit 309B	Exhibit 338B	Exhibit 365A	Exhibit 392A
Exhibit 310B	Exhibit 339A	Exhibit 366A	Exhibit 392B
Exhibit 311B	Exhibit 339B	Exhibit 367A	Exhibit 393A
Exhibit 312B	Exhibit 340A	Exhibit 368A	Exhibit 393B
Exhibit 313B	Exhibit 341A	Exhibit 369A	Exhibit 394A
Exhibit 314B	Exhibit 342A	Exhibit 370A	Exhibit 394B
Exhibit 315B	Exhibit 343A	Exhibit 371A	Exhibit 395A
Exhibit 316	Exhibit 344A	Exhibit 372A	Exhibit 395B
Exhibit 317	Exhibit 345A	Exhibit 373A	Exhibit 396A
Exhibit 318	Exhibit 346A	Exhibit 374A	Exhibit 396B
Exhibit 319	Exhibit 347A	Exhibit 375A	Exhibit 397A
Exhibit 320	Exhibit 348A	Exhibit 376A	Exhibit 397B
Exhibit 321	Exhibit 349B	Exhibit 377A	Exhibit 398A
Exhibit 322	Exhibit 350B	Exhibit 378	Exhibit 399A
Exhibit 323	Exhibit 351A	Exhibit 379	Exhibit 400A
Exhibit 324	Exhibit 351B	Exhibit 380	Exhibit 401A
Exhibit 325	Exhibit 352A	Exhibit 381	Exhibit 402A
Exhibit 326	Exhibit 352B	Exhibit 382	Exhibit 403A
Exhibit 327	Exhibit 353A	Exhibit 383	Exhibit 404A
Exhibit 328	Exhibit 353B	Exhibit 384	Exhibit 405A
Exhibit 329	Exhibit 354A	Exhibit 385	Exhibit 406A
Exhibit 330	Exhibit 355A	Exhibit 386	Exhibit 407A
Exhibit 331	Exhibit 356A	Exhibit 387	Exhibit 408A
Exhibit 332	Exhibit 357A	Exhibit 388A	Exhibit 409A

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Exhibit 410A	Exhibit 439	Exhibit 463B	Exhibit 484
Exhibit 411A	Exhibit 440	Exhibit 464A	Exhibit 485
Exhibit 412A	Exhibit 441	Exhibit 464B	Exhibit 486
Exhibit 412b	Exhibit 442	Exhibit 465A	Exhibit 487
Exhibit 413A	Exhibit 443	Exhibit 465B	Exhibit 488
Exhibit 413B	Exhibit 444	Exhibit 466A	Exhibit 489
Exhibit 414B	Exhibit 445	Exhibit 466B	Exhibit 490
Exhibit 415B	Exhibit 446	Exhibit 467A	Exhibit 491
Exhibit 416B	Exhibit 447	Exhibit 467B	Exhibit 492
Exhibit 417B	Exhibit 448	Exhibit 468A	Exhibit 493
Exhibit 418B	Exhibit 449	Exhibit 468B	Exhibit 494
Exhibit 419B	Exhibit 450	Exhibit 469A	Exhibit 495
Exhibit 420B	Exhibit 451	Exhibit 469B	Exhibit 496
Exhibit 421B	Exhibit 452	(color)	Exhibit 497
Exhibit 422B	Exhibit 453	Exhibit 469B	
Exhibit 423B	Exhibit 454	Exhibit 470A	
Exhibit 424	Exhibit 455	Exhibit 470B	
Exhibit 425	Exhibit 456	Exhibit 471B	
Exhibit 426	Exhibit 457A	Exhibit 472B	
Exhibit 427	Exhibit 457B	(color)	
Exhibit 428	Exhibit 458A	Exhibit 472B	
Exhibit 429	Exhibit 458B	Exhibit 473B	
Exhibit 430	Exhibit 459A	Exhibit 474B	
Exhibit 431	Exhibit 459B	Exhibit 475B	
Exhibit 432	Exhibit 460A	Exhibit 476B	
Exhibit 433	Exhibit 460B	Exhibit 477B	
Exhibit 434	Exhibit 461A	Exhibit 478B	
Exhibit 435	Exhibit 461B	Exhibit 479B	
Exhibit 436	Exhibit 462A	Exhibit 480B	
Exhibit 437	Exhibit 462B	Exhibit 481B	
Exhibit 438	Exhibit 463A	Exhibit 482	
		Exhibit 483	

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Affidavit of Daniel McIsaac, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-01420 (JMP) SIPA (Bankr. S.D.N.Y. Oct. 5, 2009).

Affidavit of Ian T. Lowitt Pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York in Support of First-Day Motions and Applications, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 14, 2008).

Affidavit of Service, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 15, 2009).

Appendix to Debtor's Motion for an Order, Pursuant to Fed. R. Civ. P. 60 and Fed. R. Bankr. P. 9024, Modifying the September 20, 2008 Sale Order and Granting Other Relief: Volume I, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y.).

Appendix to Debtor's Motion for an Order, Pursuant to Fed. R. Civ. P. 60 and Fed. R. Bankr. P. 9024, Modifying the September 20, 2008 Sale Order and Granting Other Relief: Volume II, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y.).

Appendix to Debtor's Motion for an Order, Pursuant to Fed. R. Civ. P. 60 and Fed. R. Bankr. P. 9024, Modifying the September 20, 2008 Sale Order and Granting Other Relief: Volume III, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y.).

Appendix to Debtor's Motion for an Order, Pursuant to Fed. R. Civ. P. 60 and Fed. R. Bankr. P. 9024, Modifying the September 20, 2008 Sale Order and Granting Other Relief: Volume IV, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y.).

Appendix to Debtor's Motion for an Order, Pursuant to Fed. R. Civ. P. 60 and Fed. R. Bankr. P. 9024, Modifying the September 20, 2008 Sale Order and Granting Other Relief: Volume V, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y.).

Appendix Volume I to Motion of Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc., et al., Pursuant to 11 U.S.C. § 105(a) Fed. R. Civ. P. 60(b) and Fed. R. Bankr. P. 9024, for Relief from Order Under 11 U.S.C. § 105(a), 363, and 365 and Federal Rules of Bankruptcy Procedure 2002, 6004, and 6006 Authorizing and Approving (A) Sale of Purchased Assets Free and Clear of Liens and Other Interests and (B) Assumption and Assignment of Executory Contracts and Unexpired Leases, Dated September 20, 2008 (and Related SIPA Sale Order) and Joinder in Debtors' and SIPA Trustees Motions for an Order Under Rule 60(b) to Modify Sale Order, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) and Case No. 08-01420 (JMP) (Bankr. S.D.N.Y.).

Appendix Volume II to Motion of Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc., et al., Pursuant to 11 U.S.C. § 105(a) Fed. R. Civ. P. 60(b) and Fed. R. Bankr. P. 9024, for Relief from Order Under 11 U.S.C. § 105(a), 363, and 365 and Federal Rules of Bankruptcy Procedure 2002, 6004, and 6006 Authorizing and Approving (A) Sale of Purchased Assets Free and Clear of Liens and Other Interests and (B) Assumption and

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Assignment of Executory Contracts and Unexpired Leases, Dated September 20, 2008 (and Related SIPA Sale Order) and Joinder in Debtors' and SIPA Trustees Motions for an Order Under Rule 60(b) to Modify Sale Order, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) and Case No. 08-01420 (JMP) (Bankr. S.D.N.Y.).

Appendix Volume III to Motion of Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc., et al., Pursuant to 11 U.S.C. § 105(a) Fed. R. Civ. P. 60(b) and Fed. R. Bankr. P. 9024, for Relief from Order Under 11 U.S.C. § 105(a), 363, and 365 and Federal Rules of Bankruptcy Procedure 2002, 6004, and 6006 Authorizing and Approving (A) Sale of Purchased Assets Free and Clear of Liens and Other Interests and (B) Assumption and Assignment of Executory Contracts and Unexpired Leases, Dated September 20, 2008 (and Related SIPA Sale Order) and Joinder in Debtors' and SIPA Trustees Motions for an Order Under Rule 60(b) to Modify Sale Order, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) and Case No. 08-01420 (JMP) (Bankr. S.D.N.Y.).

Assumption and Assignment of Contracts Relating to the Purchased Assets, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 19, 2008).

Debtor's Motion for an Order, Pursuant to Fed. R. Civ. P. 60 and Fed. R. Bankr. P. 9024, Modifying the September 20, 2008 Sale Order and Granting Other Relief, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 15, 2009).

Debtor's Reply in Further Support of its Motion for an Order, Pursuant to Fed.R.Bankr.P.2004, Authorizing Discovery from Barclays Capital, Inc., *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. June 23, 2009).

Debtors' First Rule 30(b)(6) Deposition Notice to Barclays on Issues Pertaining to Exchange-Traded Derivatives and Exchange Deposits Under the Asset Purchase Agreement, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 04, 2009).

Debtors' Motion to (A) Schedule A Sale Hearing; (B) Establish Sales Procedures; (C) Approve a Break-Up Fee; and (D) Approve the Sale of the Purchased Assets and the Assumption and Assignment of Contracts Relating to the Purchased Assets, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 17, 2008).

Debtors' Second Rule 30(b)(6) Deposition Notice to Barclays on Issues Relating to the Transfer of Assets, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug 4, 2009).

Debtors' Second Rule 30(b)(6) Deposition Notice to Barclays on Issues Relating to the Transfer of Assets, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug 4, 2009).

Debtors' Third Rule 30(b)(6) Deposition Notice to Barclays on Issues Pertaining to Exchange-Traded Derivatives and Exchange Deposits, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Aug. 12, 2009).

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Declaration of James B. Kobak Jr. in Support of The Trustee's Motion for Relief Pursuant to the Sale Orders or, Alternatively for Certain Limited Relief Under Rule 60(b), *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-01420 (JMP) SIPA (Bankr. S.D.N.Y. Sep. 15, 2009).

Declaration of Saul E. Burian in Support of Limited Objection of Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc., et al. to SIPA Trustee's Motion Under 11 U.S.C. § § 105 and 363 and Fed. R. Bankr. P. 9019(a) for Entry of an Order Approving Settlement Agreement, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-01420 (JMP) (Bankr. S.D.N.Y. Dec. 19, 2008).

Declaration of Shari D. Leventhal in Support of Trustee's Motion for Entry of an Order Approving a Settlement Agreement, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y.).

Declaration of William R. Maguire in Support of The Trustee's Motion for Relief Pursuant to the Sale Orders or, Alternatively for Certain Limited Relief Under Rule 60(b), *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-01420 (JMP) SIPA (Bankr. S.D.N.Y. Sep. 15, 2009).

Exhibits to Order, Pursuant to Fed. R. Bankr. P. 2004, Authorizing Discovery from Barclays Capital, Inc., *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. May 18, 2009).

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Letter to Honorable James M. Peck, United States Bankruptcy Judge, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) and Case No. 08-01420 (JMP) (Bankr. S.D.N.Y. Sep. 15, 2009).

Motion of Debtor and Debtor in Possession for an Order Pursuant to Fed R. Bankr.P.2004, Authorizing Discovery From Barclays Capital, Inc., *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. May 18, 2009).

Motion of Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc., et al., Pursuant to 11 U.S.C. § 105(a), Fed. R. 11 U.S.C. §§ 105(a), 363, and 365 and Federal Rules of Bankruptcy Procedure 2002, 6004, and 6006 Authorizing and Approving (A) Sale of Purchased Assets Free and Clear of Liens and Other Interests and (B) Assumptions and Assignment of Executory Contracts and Unexpired Leases, Dated September 20, 2008 (and Related SIPA Sale Order) and Joinder in Debtors' and SIPA Trustee's Motions for an Order Under Rule 60(b) to

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Modify Sale Order, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) and Case No. 08-01420 (JMP) (Bankr. S.D.N.Y. Sep. 15, 2009).

Motion Under 11 U.S.C. § § 105 and 363 and Fed. R. Bankr. P. 9019(a) for Entry of an Order Approving Settlement Agreement, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-01420 (JMP) SIPA (Bankr. S.D.N.Y. Dec. 5, 2008).

Notice of Hearing on the Trustee's Motion for Relief Pursuant to the Sale Order or Alternatively, for Certain Limited Relief Under Rule 60(b), *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-01420 (JMP) SIPA (Bankr. S.D.N.Y. Sep. 15, 2009).

Objection of Barclays Capital Inc. to Debtors' Motion for an Order Under Rule 2004 Authorizing Discovery of Barclays Capital Inc., *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. June 5, 2009).

Objection to Motion of the Debtors, Pursuant to Section 502(b)(9) of the Bankruptcy Code and Bankruptcy Rule 3003(c)(3), for Establishment of the Deadline for Filing Proofs of Claim, Approval of the Form and Manner of Notice Thereof and Approval of the Proof of Claim Form, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. June 11, 2009).

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Order Under 11 U.S.C. § § 105(a), 363, and 365 and Federal Rules of Bankruptcy Procedure 2002, 6004 and 6006 Authorizing and Approving (A) the Sale of Purchased Assets Free and Clear of Liens and Other Interests and (B) Assumption and Assignment of Executory Contracts and Unexpired Leases, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 17, 2008).

Scheduling Order Concerning Certain Motions Filed by LBHI, SIPA Trustee and Creditors Committee, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) and Case No. 08-01420 (JMP) (Bankr. S.D.N.Y. Oct. 27, 2009).

The Trustee's Joinder in Debtors' Motion for an Order, Pursuant to Fed. R. Civ. P. 60 and Fed. R. Bankr. P. 9024, Modifying the September 20, 2008 Sale Order and Granting Other Relief, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) (Bankr. S.D.N.Y. Sep. 15, 2009).

The Trustee's Motion for Relief Pursuant to the Sale Orders or, Alternatively, for Certain Limited Relief Under Rule 60(b), *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-01420 (JMP) SIPA (Bankr. S.D.N.Y. Sep. 15, 2009).

The Trustee's Motion for Relief Pursuant to the Sale Orders or, Alternatively for Certain Limited Relief Under Rule 60(b), *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-01420 (JMP) SIPA (Bankr. S.D.N.Y. Sep. 15, 2009).

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The Trustee's, Debtors' and Creditors' Committee's Second Set of Requests for Production of Documents and Things, *In re: Lehman Brothers Holdings Inc., et al., Debtors.*, Case No. 08-13555 (JMP) and Case No. 08-01420 (JMP) (Bankr. S.D.N.Y. Dec. 23, 2009).

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Barclays Capital, *Product Control - Price Testing Policy V 1.2* (May 2009).

Gary Romain, Barclays Capital, "Lehman Acquisition Assets Summary – Post acquisition gains and losses for acquired inventory" (Jan. 2010).

PwC work papers contained in Barclays' document production in response to Document Request No. 3 of The Trustee's, Debtor's, and Creditors' Committee's First Set of Requests for Production of Documents and Things, dated October 30, 2009 (BCI-EX-00247453 – BCI-EX-00295654).

Document titled "Lehman OBS IPV Valuation Methodology_3.doc," *attached to* E-mail from Sean Teague to Tal Litvin et al., re: "Acquisition balance sheet" (Feb. 12, 2009).

E-mail from Duane McLaughlin to David Murgio et al., re: "Schedules A and B for Filing – FINAL" (Sep. 29, 2008) *with attached excel workbook*.

Email from James McDaniel to Edward Rosen, re: "Understandings relating to the transfer of LBI's accounts at OCC" (Sep. 21, 2008).

Email from Michael McGarvey to Francis Pearn and Gerard Reilly, re: "Here's the summary from the 12th" (Sep. 16, 2008 14:23 GMT) *attaching* LBI Balance Sheet by GAAP Asset Type workbook.

E-mail from Michael McGarvey to Gerard Reilly et al., re: "CUSIP Transferred to Barclays Master File" (Sep. 22, 2008 GMT 17:37) *with seven attached excel workbooks*.

Email from Stephen King to Liz James et al., re: "no subject" (Sep. 22, 2008).

Lehman Brothers, "BA:B-S Detailed Exposure Report (CrossSystem) – 12 Sep 2008" *contained in* Spreadsheet titled "Detailed_Exposure_Rpt912.xls," (Sep. 12, 2008).

Lehman Brothers, "BA:B-S Detailed Exposure Report (CrossSystem) – 15 Sep 2008" *contained in* Spreadsheet titled "Detailed_Exposure_Rpt915.xls," (Sep. 15, 2008).

Lehman Brothers, "BA:B-S Detailed Exposure Report (CrossSystem) – 16 Sep 2008" *contained in* Spreadsheet titled "Detailed_Exposure_Rpt916.xls," (Sep. 16, 2008).

Lehman Brothers, "BA:B-S Detailed Exposure Report (CrossSystem) – 17 Sep 2008" *contained in* Spreadsheet titled "Detailed_Exposure_Rpt917.xls," (Sep. 17, 2008).

Lehman Brothers, "BA:B-S Detailed Exposure Report (CrossSystem) – 18 Sep 2008" *contained in* Spreadsheet titled "Detailed_Exposure_Rpt918.xls," (Sep. 18, 2008).

Lehman Brothers, "BA:B-S Detailed Exposure Report (CrossSystem) – 19 Sep 2008" *contained in* Spreadsheet titled "Detailed_Exposure_Rpt919.xls," (Sep. 19, 2008).

Contains Highly Confidential Information

Lehman Brothers, "BA:B-S Detailed Exposure Report (CrossSystem) – 22 Sep 2008" *contained in* Spreadsheet titled "Detailed_Exposure_Rpt922.xls," (Sep. 22, 2008).

Lehman Brothers, "BA:B-S Detailed Exposure Report (CrossSystem) – 30 Sep 2008" *contained in* Spreadsheet titled "Detailed_Exposure_Rpt930.xls," (Sep. 30, 2008).

Spreadsheet titled "Acquisition Detail (PWC Day1) 09-22 Final Nu5.xls," *attached to* E-mail from Sean Teague to Tal Litvin et al., re: "Acquisition balance sheet" (Feb. 12, 2009).

Spreadsheet titled "Copy of Acquisition Detail (PWC Day1) 09-22 Final Nu4.xls," *attached to* E-mail from Sean Teague to Karen Hong, re: "Lehman P1 - (near) complete" (Feb. 5, 2009).

Spreadsheet titled "GR Long Island - Acquisition Balance Sheet 28.01.2009.xls," *attached to* Email from Andrew Daly to Gary Romain, re: "GR Long Island - Acquisition Balance Sheet 28.01.2009.xls" (Feb. 5, 2009).

Spreadsheet titled "LBI BS_917_V with adjustment.xls," *attached to* Email from David Descoteau, Lazard, to Barry Ridings et al., Lazard NYC, re: "LBI_BS_917_V with adjustment.xls," Bates No. LAZ-C-00050306 (Sep. 19, 2008).

Spreadsheet titled "Lehman Asset P_3 12-22-2008_(JPM) Final 2.xls," *attached to* E-mail from Sean Teague to Tal Litvin et al., re: "Acquisition balance sheet" (Feb. 12, 2009).

Spreadsheet titled "New LBI Firm Asset List A 12312008 v2.xls," *attached to* E-mail from Sean Teague to Tal Litvin et al., re: "Acquisition balance sheet" (Feb. 12, 2009).

Spreadsheet titled "New LBI Firm Asset List B 12312008 (B.1) v6.xls," *attached to* E-mail from Sean Teague to Tal Litvin et al., re: "Acquisition balance sheet" (Feb. 12, 2009).

Email from Daniel Long to Jasen Yang et al., re: "Proj LI 9/19 collateral file" (Sep. 19, 2008) *attaching* "Master List_unique 6_44pm.xls."

Email from Daniel Long to Marty Malloy et al., re: "Master list of the DTC and Fed Wire from Lehman on 9-18" (Sep. 19, 2008) *attaching* "Master List.xls."

Email from David Petrie to Daniel Long et al., re: "Master List_unique_mod.xls" (Sep. 19, 2008) *attaching* "Master List_unique_mod.xls."

Email from Duane McLaughlin to David Murgio et al., re: "Schedules A and B for Filing" (Sep. 29, 2008) *with attached* "Schedule A" and "Schedule B" spreadsheets.

Email from Edwin Lee to Doug Warren et al., re: "LBI Files" (Sep. 19, 2008) *attaching* "LBI Short and Long Inventory Detail (Corp Debt) excl Eq division Corp Debt.xls," "lbi-unknown-red-flag.xls," "lbi-converts.xls," "lbi-em.xls," "lbi-europe.xls," and "lbi-unknown."

Email from Gary Romain to James Walker et al., re: "Balance sheet" (Sep. 21, 2008) *attaching* "Long Island – Acquisition Summary.xls."

Email from Gary Romain to James Walker et al., re: "Draft acquisition balance sheet" (Sep. 25, 2008) *attaching* "Long Island – Acquisition Balance Sheet.xls."

Email from Gary Romain to Kim Cunningham et al., re: "Balance Sheet" (Nov. 10, 2008) *attaching* "Long Island – Acquisition Balance Sheet.xls."

Contains Highly Confidential Information

Email from Gary Romain to Patrick Clackson et al., re: "OBS" (Jan. 27, 2009) *attaching* "Long Island – Acquisition Balance Sheet.xls."

Email from Gary Romain to TJ Gavenda et al., re: "LI balance sheet with uncertainties" (Oct. 23, 2008) *attaching* "Long Island – Acquisition Balance Sheet.xls."

Email from Gerard LaRocca to Mike Keegan, re: "Totals for the Fed Facility Collateral" (Sep. 19, 2008).

Email from James Hraska to John Rodefild et al., re: "Repo Trade" (Sep. 20, 2008) *attaching* "BarCap collateral-09.18.08.jh.xls."

Email from James Hraska to Nancy Denig et al., re: "Purchased & Excluded Mortgage Asset Files" (Sep. 18, 2008) *attaching* "Excluded Mortgage Assets 09-17-2008.xls."

Email from James Hraska to Robert Azerad et al., re: "Financing Facility Schedule" (Sep. 22, 2008) *attaching* "Tri09192008 (3).xls," "BarCap collateral-09.18.08.jh.xls," "barcap pldg 09 22 08 dtc-only.xls."

Email from Jasen Yang to Daniel Long and Hogan Chen, re: "Complete position of Lehman collateral" (Sep. 20, 2008) *attaching* "Lehm pos 9-19.xls."

Email from Jasen Yang to Eric Yoss et al., re: "Lb" (Sep. 21, 2008) *attaching* "Lehm Position 2008-09-19 (Thurs Close)(Sun 1030AM).xls."

Email from Jasen Yang to James Walker., re: "Lb" (Sep. 21, 2008) *attaching* "Lehm Position 2008-09-19 (Thurs Close) (Sun 1030AM).xls."

Email from Jasen Yang to John Haley et al., re: "Complete position of Lehman collateral" (Sep. 20, 2008) *attaching* "Copy of lehman9-18pos.xls," "Lehman Pledged Collateral.xls," "Residual N24 Box 13.5 Million.csv," "PDCF bzw689 11909+ Bill.csv," "Remaining MOP – 210 Mill.csv" and "BZW948-38854095571-85.csv."

Email from Jasen Yang to Nathaniel Hartley et al., re: "Master List_unique (2).xls" (Sep. 19, 2008) *attaching* "Master List_unique 2pm.xls."

Email from Jasen Yang to Robert Azerad et al., re: "Financing Facility Schedule" (Sep. 22, 2008) *attaching* "Barclays Financing Collateral.xls."

Email from Jasen Yang to Eric Yoss et al., re: "Lb" (Sep. 21, 2008) *attaching* "Lehm Position 2008-09-19 (Thurs Close) (Sun 1030 AM).xls."

Email from Jasen Yang to James Walker et al., FW: "Lb" (Sep. 21, 2008) *attaching* "Lehm Position 2008-09-19 (Thurs Close) (Sun 1030 AM).xls."

Email from John Diagostini to Jim Beckenhaupt et al., re: "PDCF" (Sep. 19, 2008) *attaching* "Market Value PDCF.xls."

Email from John Grenier to Chris O'Meara, re: "Final Balance Sheet" (Sep. 18, 2008) *attaching* "bs5.xls."

Email from John Grenier to Tim Sullivan, re: "Balance Sheet Iterations" (Sep. 18, 2008) *attaching* "Consolidated Balance Sheets.pdf."

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Email from John Haley to Daniel Long, re: "Bony_Price 9-19 clean.xls" (Sep. 22, 2008) *attaching* "Bony_Price 9-19 clean.xls."

Email from John Rodefied to Gerard LaRocca, re: "Purchase & Excluded Mortgage Asset Files" (Sep. 29, 2008) *attaching* "Excluded Mortgage Assets 09-17-2008.xls."

Email from Keith Kachie to John Haley et al., re: "Lehman Deal Collateral 9-19 EOD" (Sep. 20, 2008) *attaching* "LEHMAN PDCF BZW689 – 9-19.csv," "N24 LEHMAN Residual 9-19.csv," "MOP – LEHMAN Residual 9-19.csv," "Tri-Email:[OTBGZ_20080919.Z].

Email from Marie Stewart to Laura Faviano, re: "systems/process write ups for MTS, ITS, ADP and DBS" (Dec. 09, 2008) *attaching* "MTS Financing Narrative.doc," and "MTS Inventory Close Narrative.doc."

Email from Nathaniel Hartley to Jasen Yang, re: "Master List_unique (2).xls" (Sep. 19, 2008) *attaching* "Master List_unique (2).xls."

Email from Paolo Tonucci to Dan Fleming, re: "Non-actionable box" (Sept. 20, 2008) *attaching* "Non Actionable Box as of 0918.xls."

Email from Paolo Tonucci to David Petrie et al., re: "Box Positions" (Sep. 22, 2008) *attaching* *untitled spreadsheet*.

Email from Paolo Tonucci to Stephen King, re: "Non Actionable Box as of 0918.xls" (Sep. 19, 2008) *attaching* "Non Actionable Box as of 0918.xls."

Email from Ricky Policke to John Haley, re: "no subject" (Sep. 18, 2008) *attaching* "fed-091608.xls."

Email from Robert Azerad to Jasen Yang et al., re: "Financing Facility Schedule" (Sep. 22, 2008) *attaching* "Barclays Financing Collateral List (Barc Ops) 09-20-2008.xls."

Email from Ryan Babcock to Jasen Yang, re: "PMTG Haircut Summary (09-21-2008).xls" (Sep. 21, 2008) *attaching* "PMTG Haircut Summary (09-21-2008).xls."

Email from Sean Teague to Andrew Pickett et al., re: "Pine CCS – memo and supporting pricing documentation-" (Jan. 14, 2009) *attaching* "PINE CCS LTD[1].-October 2008.pdf," "bfm239C.jpg," "Pine CCS BBF.gif," "Pine CCS BBG Rating History.gif," "PineII.xls," and "Pine CCS Valuation Memo (PCG)."

Email from Sean Teague to Jasen Yang et al., re: "Proj LI 9/19 collateral file" (Sep. 19, 2008) *attaching* "Master List_unique 2pm PT.xls."

Email from Sean Teague to Jeannie Chang et al., re: "Updated: Lehman at close audit – Price testing for rates" (Feb. 24, 2009).

Email from Stephen King to Jasen Yang, Fw: "Fed and DTC 9-18 (3).xls" (Sep. 18, 2008) *attaching* "Fed and DTC 9-18 (3).xls."

Email from to Ricky Policke to John Haley, (Sep. 18, 2008) *attaching* "fed-091608.xls."

Email from Usmanpatel Biradar to John Haley and Steven Rosenthal re: "Bony extract" (Sep. 22, 2008) *attaching* "market_val.zip."

Contains Highly Confidential Information

Excel Version of files attached to email from Mary Korycki to James Fogarty et al., (Sep. 29, 2008) titled "Exhibit A-1, A-2 – Barclays Financing Collateral List.xls", "Exhibit B-1, B-2, B-3 – DTC 074 and 636 AVAILABLE COLL," "Exhibit B-4 – Friday transfers BONY records agreed," "Exhibit B-5 – 636 Collateral," and "Exhibit B-6 – Schedule B Final."

Email from Duane McLaughlin to David Murgio et al., re: "Schedules A and B for Filing" (Sep. 29, 2008) with attached "Schedule A" and "Schedule B" spreadsheets.

Workbook of Unpurchaseable securities titled "Book1.xls."

Workbook titled "(September 19th \$1.035).xls."

Workbook titled "(September 29th - 636).xls."

Workbook titled "(September 30th 074).xls."

Workbook titled "(September 30th 074-equity).xls."

Workbook titled "6. 12-16-2008 JPM Settlement.xls."

Workbook titled "Copy of Lehman Schedule July 2009_2.xls."

Workbook titled "DocReq122809.xls."

Workbook titled "DTC Collateral Lehman Marks.xls."

Workbook titled "Fed and DTC 9-18 (3).xls."

Workbook titled "Fed cusips cob 9.16.xls."

Workbook titled "fed-091608.xls."

Workbook titled "Final Lehman Position File v1.xls."

Workbook titled "LBI Short and Long Inventory Detail (Corp Debt) excl Eq division Corp Debt.xls."

Workbook titled "lbi-converts.xls."

Workbook titled "lbi-em.xls."

Workbook titled "lbi-europe.xls."

Workbook titled "lbi-unknown.xls."

Workbook titled "lbi-unknown-red-flag.xls."

Workbook titled "LEH Collateral Rodefild 5101 & 7256.xls."

Workbook titled "LEH Haircut File 9-22.xls."

Workbook titled "Lehman Intangible asset and amortization_Final.xls."

Workbook titled "Market Value PDCF.xls."

Workbook titled "Sched B LeHOBS 5.xls."

EXHIBIT D

From: Christopher Green [Cgreen@BSFLLP.com]
Sent: 02/18/2010 01:11 PM EST
To: Kelly Carrero
Cc: "ericataggart@quinnemanuel.com" <ericataggart@quinnemanuel.com>;
"erickay@quinnemanuel.com" <erickay@quinnemanuel.com>; Hamish Hume
<hhume@BSFLLP.com>; "jamestecce@quinnemanuel.com"
<jamestecce@quinnemanuel.com>; Jonathan Schiller <JSchiller@BSFLLP.com>; Jonathan
Shaw <jshaw@BSFLLP.com>; "Jack G. Stern" <jstern@bsflp.com>; Jayant Tambe;
"maguire@hugheshubbard.com" <maguire@hugheshubbard.com>;
"oxford@HughesHubbard.COM" <oxford@HughesHubbard.COM>; Robert Gaffey;
"susheelkirpalani@quinnemanuel.com" <susheelkirpalani@quinnemanuel.com>; Tracy Schaffer;
"tylerwhitmer@quinnemanuel.com" <tylerwhitmer@quinnemanuel.com>; William Hine;
Jennifer Del Medico
Subject: RE: In re Lehman Brothers Inc. - The Debtors', Trustee's, and Committee's Fourth Set
of Requests for Production of Documents and Things

Kelly:

As we indicated on this morning's call, we have checked with Barclays and it appears that much of the information sought in your Fourth Set of Requests has already been produced. The two Excel files identified below contain most of the information sought by sub-part B of the Fourth Set of Requests that was used by Barclays in valuing the securities represented by the CUSIPs listed on Attachment A, and can be gathered and produced by Barclays without undue burden:

(1) Spreadsheet titled "Acquisition Detail (PWC Day1) 09-22 Final Nu5.xls," attached to E-mail from Sean Teague to Tal Litvin et al., re: "Acquisition balance sheet" (Feb. 12, 2009) [Bates-labeled BCI-EX-(S)-00213990 (E-mail) and BCI-EX-(S)-00213995 (Attachment)]; and

(2) Spreadsheet titled "Lehman Asset P_3 12-22-2008_(JPM) Final 2.xls," attached to E-mail

EXHIBIT

637A

2-2370

→

from Sean Teague to Tal Litvin et al., re: "Acquisition balance sheet" (Feb. 12, 2009)
[Bates-labeled BCI-EX-(S)-00213990 (E-mail) and BCI-EX-(S)-00213996 (Attachment)].

The two excel files referenced above were produced on January 18, 2010 and previously identified in the "Revised Production Index for All Documents listed under 'Other Miscellaneous Documents' in revised Appendix Two of the Expert Report of Professor Paul Pfleiderer," which was attached to my letter to Jayant Tambe dated January 23, 2010.

Later today, as we also indicated on this morning's call, we will be producing Intex spreadsheets for securitized products that were transferred to Barclays in the JP Morgan settlement. These Intex spreadsheets provide further backup for the securitized products listings in spreadsheet titled "Lehman Asset P_3 12-22-2008_(JPM) Final 2.xls" (No. 2 above).

We are endeavoring to gather similar backup for the spreadsheet titled "Acquisition Detail (PWC Day1) 09-22 Final Nu5.xls" and if we are successful in that effort, which I presently have no reason not to expect, we will produce that backup promptly.

Thanks.

Chris

From: Kelly A Carrero [mailto:kacarrero@JonesDay.com]
Sent: Wednesday, February 17, 2010 9:27 AM
To: Christopher Green
Cc: ericataggart@quinnemanuel.com; erickay@quinnemanuel.com; Hamish Hume; jamestecce@quinnemanuel.com; Jonathan Schiller; Jonathan Shaw; Jack G. Stern; jtambe@jonesday.com; maguire@hugheshubbard.com; oxford@HughesHubbard.COM; rwgaffey@jonesday.com; susheelkirpalani@quinnemanuel.com; tschaffer@jonesday.com; tylerwhitmer@quinnemanuel.com; wjhine@jonesday.com; Jennifer Del Medico
Subject: RE: In re Lehman Brothers Inc. - The Debtors', Trustee's, and Committee's Fourth Set of Requests for Production of Documents and Things

Chris,

It has been over a week since the parties' February 8 meet and confer on outstanding discovery issues, which included our Fourth Set of Requests attached below. A week ago, at your request, we provided you with an electronic version of Attachment A to those requests. Since then, we have heard nothing further from you about the Fourth Set of Requests.

In Hamish Hume's February 9 letter to Bill Maguire, he indicated you were "inquiring further into what if any information may be possible to gather" and anticipated having an answer for us by the end of last week. We have not been informed of the outcome of that inquiry. Also, in follow-up to our meet & confer and Hamish's February 9 letter, Bill sent Hamish a letter dated Friday, February 12, in which, among other things, he requested a status update on Barclays' prospective production in response to the Fourth Set of Requests. As I understand it, Bill has not received a response.

As you are aware, our fact discovery deadline is fast approaching. Again, please let us know promptly when and what you will be producing in response to our Fourth Set of Requests.

Regards,
Kelly

Kelly A. Carrero
JONES DAY
222 E. 41st Street
New York, NY 10017
Direct Dial: 212.326.8391
Facsimile: 212.755.7306
kacarrero@jonesday.com

Christopher Green
<Cgreen@BSFLLP.co
m>

02/10/2010 03:13 PM

To: Kelly A Carrero <kacarrero@JonesDay.com>
cc: "ericataggart@quinnemanuel.com" <ericataggart@quinnemanuel.com>, "erickay@quinnemanuel.com" <erickay@quinnemanuel.com>, Hamish Hume <hhume@BSFLLP.com>, "jamestecce@quinnemanuel.com" <jamestecce@quinnemanuel.com>, Jonathan Schiller <JSchiller@BSFLLP.com>, Jonathan Shaw <jshaw@BSFLLP.com>, "Jack G. Stern" <jstern@bsflp.com>, "jtambe@jonesday.com" <jtambe@jonesday.com>, "maguire@hugheshubbard.com" <maguire@hugheshubbard.com>, "oxford@HughesHubbard.COM" <oxford@HughesHubbard.COM>, "rwgauffey@jonesday.com" <rwgauffey@jonesday.com>, "susheelkirpalani@quinnemanuel.com" <susheelkirpalani@quinnemanuel.com>, "tschaffer@jonesday.com" <tschaffer@jonesday.com>, "tylerwhitmer@quinnemanuel.com" <tylerwhitmer@quinnemanuel.com>, "wjhine@jonesday.com" <wjhine@jonesday.com>
Subject: RE: In re Lehman Brothers Inc. - The Debtors', Trustee's, and Committee's Fourth Set of Requests for Production of Documents and Things

Thanks Kelly.

From: Kelly A Carrero [mailto:kacarrero@JonesDay.com]
Sent: Wednesday, February 10, 2010 3:04 PM
To: Christopher Green
Cc: ericataggart@quinnemanuel.com; erickay@quinnemanuel.com; Hamish Hume; jamestecce@quinnemanuel.com; Jonathan Schiller; Jonathan Shaw; Jack G. Stern; jtambe@jonesday.com; maguire@hugheshubbard.com; oxford@HughesHubbard.COM; rwgauffey@jonesday.com; susheelkirpalani@quinnemanuel.com; tschaffer@jonesday.com; tylerwhitmer@quinnemanuel.com; wjhine@jonesday.com
Subject: RE: In re Lehman Brothers Inc. - The Debtors', Trustee's, and Committee's Fourth Set of Requests for Production of Documents and Things

Chris,

Per your request below, please find attached an electronic version of Attachment A in Excel format.

Regards,

Kelly A. Carrero
JONES DAY
222 E. 41st Street
New York, NY 10017
Direct Dial: 212.326.8391
Facsimile: 212.755.7306
kacarrero@jonesday.com

Christopher Green
<Cgreen@BSFLLP.co
m>

02/10/2010 12:22 PM

To Kelly A Carrero <kacarrero@JonesDay.com>, Hamish Hume <hhume@BSFLLP.com>, Jonathan Schiller <JSchiller@BSFLLP.com>, "Jack G. Stern" <jstern@bsfilp.com>, Jonathan Shaw <jshaw@BSFLLP.com>
cc "maguire@hugheshubbard.com" <maguire@hugheshubbard.com>, "oxford@HughesHubbard.COM" <oxford@HughesHubbard.COM>, "jamestecce@quinnemanuel.com" <jamestecce@quinnemanuel.com>, "jamestecce@quinnemanuel.com" <jamestecce@quinnemanuel.com>, "susheelkirpalani@quinnemanuel.com" <susheelkirpalani@quinnemanuel.com>, "susheelkirpalani@quinnemanuel.com" <susheelkirpalani@quinnemanuel.com>, "ericataggart@quinnemanuel.com" <ericataggart@quinnemanuel.com>, "ericataggart@quinnemanuel.com" <ericataggart@quinnemanuel.com>, "tylerwhitmer@quinnemanuel.com" <tylerwhitmer@quinnemanuel.com>, "erickay@quinnemanuel.com" <erickay@quinnemanuel.com>, "rwgaffey@jonesday.com" <rwgaffey@jonesday.com>, "jtambe@jonesday.com" <jtambe@jonesday.com>, "wjhine@jonesday.com" <wjhine@jonesday.com>, "tschaffer@jonesday.com" <tschaffer@jonesday.com>
Subject RE: In re Lehman Brothers Inc. - The Debtors', Trustee's, and Committee's Fourth Set of Requests for Production of Documents and Things

Kelly:

Please provide us with a version of Attachment A to the Fourth Set of Requests in either MS Word or Excel format.

Thanks.

Chris Green

From: Kelly A Carrero [mailto:kacarrero@JonesDay.com]
Sent: Tuesday, January 12, 2010 9:37 PM
To: Hamish Hume; Jonathan Schiller; Jack G. Stern; Jonathan Shaw; Christopher Green
Cc: maguire@hugheshubbard.com; oxford@HughesHubbard.COM; jamestecce@quinnemanuel.com; jamestecce@quinnemanuel.com; susheelkirpalani@quinnemanuel.com; susheelkirpalani@quinnemanuel.com; ericagtaggart@quinnemanuel.com; ericagtaggart@quinnemanuel.com; tylerwhitmer@quinnemanuel.com; erickay@quinnemanuel.com; rwgaffey@jonesday.com; jtambe@jonesday.com; wjhine@jonesday.com; tschaffer@jonesday.com
Subject: In re Lehman Brothers Inc. - The Debtors', Trustee's, and Committee's Fourth Set of Requests for Production of Documents and Things

Counsel:

Please see attached.

Regards,

Kelly A. Carrero
JONES DAY
222 E. 41st Street
New York, NY 10017
Direct Dial: 212.326.8391
Facsimile: 212.755.7306
kacarrero@jonesday.com

=====

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EXHIBIT E

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
In re: : Chapter 11
LEHMAN BROTHERS HOLDINGS INC., *et al.*, : Case No. 08-13555 (JMP)
Debtors. : (Jointly Administered)
:
:
:
:
:
:
-----X

-----X
In re: : SIPA Proceeding
LEHMAN BROTHERS INC., : Case No. 08-01420 (JMP)
Debtor. :
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**ORDER ON MOTION *IN LIMINE* FOR AN ORDER EXCLUDING THE TESTIMONY
OF PROFESSOR PAUL PFLEIDERER**

This matter coming before the Court on the Motion *In Limine* for an Order Excluding the Testimony of Professor Paul Pfleiderer (the “Motion”), filed by Lehman Brothers Holdings Inc. (“LBHI”), James W. Giddens (the “Trustee”), as trustee for the SIPA liquidation of Lehman Brothers Inc., and the Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc. and its affiliated debtors and debtors-in-possession (the “Committee,” collectively, the “Movants”); the Court having reviewed the Motion and having considered the statements of counsel before the Court (the “Hearing”); and the Court having found that: (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b); and (c) notice of the Motion and the Hearing was

sufficient under the circumstances; and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. The expert testimony of Professor Paul Pfleiderer, including the Report dated January 8, 2010, as amended, is hereby deemed inadmissible and is excluded from the record, pursuant to Fed. R. Evid. 702.
3. The Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation of this Order.

Dated: New York, New York

_____, 2010

HON. JAMES M. PECK,
UNITED STATES BANKRUPTCY JUDGE